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# FINANCIAL TIMES

No. 27,524

Monday April 3 1978

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## NEWS SUMMARY

### GENERAL

## Flights will be hit to-day

British Airways European division cabin crew staff are staging a 24-hour strike to-day that will hit 300 Heathrow flights, 200 from other U.K. airports and the airline's West German inter-continental flights.

Week-end talks to avert the unofficial stoppage broke down last night. British Airways officials then tried to transfer up to 30,000 passengers to other airlines, unaffected by the dispute, which begins at 6 a.m., but gave warning of chaotic conditions at Heathrow to-day.

The European division's 2,300 crew members are seeking equal job opportunities and promotion prospects, with 4,200 overseas division crew members. Back Page

## Weizman will go back to Cairo

President Sadat of Egypt expects Mr. Ezer Weizman, the Israeli Defence Minister, to return to Cairo for further peace talks in the next few days after the Israeli Government called on Egypt to reconsider its proposal. A claim by Syria that Israeli troops planted mines near the Golan Heights, killing 12 people, was denied by the Israelis. Page 2

### Terror charges

Armagh police said that a 37-year-old man was to be charged with the terrorist murders of two men and a woman killed in a New Year's Eve 1975 pub bombing in Gifford, Armagh, and a 14-year-old boy killed by a bomb in Portadown two months later.

### Deaths top births

Deaths outnumbered births by 7,000 in England and Wales last year, according to the Government Statistical Service's Population Trends. A survey shows that 3.6m. people emigrated from Britain in the last 10 years, compared with 2.2m. immigrants. Page 6

### Fire hits stables

Eighteen horses were led from the training stables of Tim Molony at Wymondham, near Melton Mowbray, after a Dutch barn caught fire. There was another barn fire a mile away and police set up road blocks in a hunt for arsonists.

### Cost of immunity

The Cornwall Area Health Authority has written off a £1,159 bill for a Librarian's private hospital treatment. His embassy refused to pay, saying he was not a diplomat. The health authority will demand cash in advance before admitting foreigners for private treatment.

### Pope's appeal

The Pope, in his mid-day blessing to worshippers at St. Peter's Square, Rome, appealed to the kidnappers of Aldo Moro, the former Italian Premier, to release their prisoner. Page 2

### Bishop's advice

Princess Margaret should either accept the limitations of public life or withdraw from it, said the Right Rev. Graham Leonard, Bishop of Truro.

### Briefly

Mr. John Gaul, wanted by Scotland Yard in connection with the death of his wife, a former model, has been arrested in Malta.

Librarian was found dead at the foot of a Lake District mountain after apparently carrying his badly hurt pig companion two miles down from the summit.

West Europe's biggest velvet factory, owned by Niddich at Netetal, West Germany, was destroyed in a £2.6m. blaze.

Mr. Joe Haines, former Press Secretary to Sir Harold Wilson, has been appointed chief leader writer of the Daily Mirror.

### BUSINESS

## Gradual recovery in output expected

INDUSTRY is expecting only gradual recovery in output during the next year, and its overall confidence about the economy and company prospects has declined since last autumn.

The latest Financial Times survey of business opinion, taken in March, shows that industry is experiencing a slight increase in the level of new orders, but not enough to accelerate the rate of production over the next year. Slightly more companies in the survey expected to increase their labour force. Back and Page 30

## Investment prospects dim

U.K. INVESTMENT prospects provide a gloomy outlook from economic forecasters Phillips and Drew. The firm sees only 8 per cent. increase in private manufacturing investment in the year to mid-1978, compared with a 13 per cent. increase in 1977. Growth is expected to slow down further in the year to the second half of 1978. Page 4

## Green light for Airbus deal

AIRBUS INDUSTRIE, which manufactures the European Airbus aircraft, has reached agreement with the operators of New York's La Guardia airport over landing facilities, which will enable the projected \$800m. sale to Eastern Airlines to go ahead. Back Page

TUC general secretary, Mr. Len Murray, has given a veiled warning that ASTMS should not recruit members within the banking industry and that NURE would not be acting in the interests of the trade union movement if it continued recruiting within the insurance industry. Page 6

SWAN HUNTER may secure a labour relations coup to end its long history of inter-union rivalry if the company's 4,000 steelworkers accept a common wages agreement at a mass meeting to-day. Other unions representing 5,000 workers have already approved the agreement. Page 6

TELEPHONE engineers, in dispute with the Post Office over a demand for a 35-hour week, are preventing the use of new equipment worth \$50m. in telephone exchanges. Page 4

CBI has urged the Government not to lay down restrictions independently governing extension and bribery, which would make U.K. companies uncompetitive, but should await international action. Page 4

NORTH SEA oil revenue and how it will be spent will be discussed by the CBI and TUC at this week's meeting of the National Economic Development Council. Both sides of industry have given a broad welcome to the Government's White Paper setting out its main proposals. Back Page

WHITE PAPER on the re-organisation of the electricity supply industry is to be published this week, and will include nearly all the clauses of a Bill reshaping the industry which the Energy Secretary was forced to withdraw through lack of Liberal Party support. Back Page

CO-OP 99, one of the largest selling brands of packet teas in Britain, is being reduced in price by 1p a quarter from to-day.

TATE GALLERY is to return a £10,000 gift from the National Portrait Gallery after buying Gainsborough's portrait of Sir Benjamin Truman for £400,000.

CORNISH HOLDER of Premium Bond No. 7WN 438498 won the weekly £50,000 prize.

## U.K.-U.S. attempt to open two-tier talks on Rhodesia

BY OUR FOREIGN STAFF

Britain and the U.S. are expected to announce early this week—possibly to-day—the next step in their efforts to convene a meeting of all parties to the Rhodesia dispute. This follows intensive week-end discussions in Lagos during President Carter's visit to Nigeria.

Indications last night were that they planned to send a team of officials to Southern Africa for preliminary talks with all the parties to see whether there was sufficient common ground for the summoning of a two-part conference on Rhodesia on the basis of the Anglo-American settlement proposals.

The two Governments have been working on the idea that the first part of this conference would be military talks between representatives of Mr. Ian Smith and the Patriotic Front, which controls the nationalist guerrillas.

The second part would be a constitutional session involving all parties to the dispute, including the domestic nationalist groups involved in the Rhodesian 'internal settlement' agreement.

Movement towards this goal remains strewn with great difficulties. This broad framework apparently has the qualified support of the African 'front line states' and the Patriotic Front but there has been no indication that Mr. Smith and the nationalists who have joined him in Government would be prepared to take part.

There remain doubts about

the Patriotic Front's degree of commitment to the terms of the Anglo-American settlement plan, which has already been rejected by supporters of the internal settlement.

The imminent move comes after intensive discussions in Lagos among Mr. Cyrus Vance, U.S. Secretary of State, the Foreign Minister of Nigeria, Boluwade, and with the Tanzanian ambassador to the United Nations.

There was a flurry of messages between Mr. Vance and Dr. David Owen, the British Foreign Secretary.

Britain and the U.S. clearly want to follow President Carter's successful visit to Nigeria with an early display of progress on Rhodesia, particularly since Lt. Gen. Olusegun Obasanjo, the Nigerian head of state, is thought to have emphasised to Mr. Carter the need for action.

Mr. Carter, emerging from a final round of talks with Gen. Obasanjo yesterday, said that Britain and the U.S. wanted to convene an all-party Rhodesia meeting as soon as possible.

In a wide-ranging African policy speech the previous day, Mr. Carter had sought to dispel any idea that the U.S. was

wavering in its commitment to the Anglo-American proposals.

He also delivered a sharp attack on Cuban and Soviet military involvement in Africa, linking this to Rhodesia and Namibia.

"The military intervention of outside powers or their proxies in such disputes too often makes local conflict even more complicated and dangerous and opens the door to a new form of domination or colonialism," he said.

"We oppose such intervention by outside military forces." The U.S. was concerned that "foreign troops are already planning for military action inside Ethiopia against the Eritreans, which will result in greatly increased bloodshed among those unfortunate peoples."

Explaining this remark, U.S. officials said that there were now estimated to be about 17,000 Cuban troops in Ethiopia, compared with 11,000 six weeks ago.

Having helped Ethiopia to defeat the Somali-backed insurgents in the tattered, small Cuban units were engaged against guerrillas in Eritrea. There were indications, yet inconclusive, that they would be employed extensively there.

Nigerian Budget Page 2

## Nkomo denies Smith's new Zambia raid

BY MICHAEL HOLMAN

LUSAKA, April 2.

REPORTS THAT helicopter-borne Rhodesian forces supported by jets attacked a Zimbabwe African People's Union camp in southern Zambia last week were described as nonsense by Mr. Joshua Nkomo, the ZAPU leader. "No such thing has taken place," he said to-day.

The attack, the second raid into Zambia territory in a month, was said by medical and other sources to have taken place south of the town of Choma and in the Gwembe Valley area over two or three days in the early part of last week.

According to informed sources the camp was 20-30 miles from the Rhodesian border and the raid was a pre-emptive strike and not a hot-pursuit operation.

Medical sources said that 40 guerrillas were injured and another 40 might have been killed. Last month, members of the Rhodesian War Council were reduced from 10 to five, excluding Ministers. The council was put under the chairmanship of Gen. Peter Walls rather than Prime Minister Ian Smith.

The move followed the Salisbury agreement between Mr. Smith and three internal black leaders. It led to speculation that it was an effort to remove the handling of the war from the new black members of the transition administration.

### Helicopters

There have been at least five Rhodesian raids in the last six months. In a two-day raid beginning on March 6 Rhodesian troops killed more than 30 ZAPU guerrillas, at least 12 Zambian soldiers and several civilians in an attack on ZAPU camps near the south-east border town of Feta.

The Zambian Government confirmed the attack, but denied ZAPU involvement and claimed to have shot down eight Rhodesian planes and helicopters.

Other raids took place in October, November and February on a smaller scale. In the February incident eight Zambian soldiers were killed when their vehicle detonated a land mine apparently left behind by retreating Rhodesian forces.

Several civilians have also been killed in land mine incidents.

The Rhodesians are known to conduct frequent intelligence-gathering operations.

There is little doubt that Rhodesian policy towards the ZAPU military presence in Zambia has changed from reluctant tolerance during efforts to persuade Mr. Nkomo to take part in internal settlement talks, to pre-emptive strikes in an effort to forestall substantial incursions from Zambia.

Mr. Nkomo's well-trained army

is put at 6,000-8,000 trained men and as many in training, based in Zambia and Angola.

Observers suggest a second possible motive. The attacks could prejudice efforts to reconvene a Rhodesian conference on the basis of the Anglo-American proposals.

President Kaunda recently indicated that he was prepared to forgo his reservation about the timing of elections in Rhodesia and once again take part in efforts to implement the Anglo-American plan. But he has also spoken of pressures on him to retaliate after Rhodesian raids.

Other pressures come from Zambians in Parliament and business who are increasingly

critical about the cost in money and lives of Zambia's Rhodesian policy.

The raid could also affect the mood of the front-line presidents who, at their Dar-es-Salaam summit last week-end, indicated a willingness to pursue a political solution to the Rhodesian problem, in tandem with the intensification of the war.

Foreign Ministers from the front-line states are in Nigeria to take part in discussions on the Rhodesian issues between Nigerian leader Lt. Gen. Olusegun Obasanjo and U.S. President Jimmy Carter.

Sir Harold Wilson, who conducted fruitless negotiations with Mr. Ian Smith, launched a strong attack at the week-end on the outbursts of Mr. Andrew Young, the U.S. Ambassador to the U.N.

He told the Law Society (Local Government) conference in London: "What is particularly dangerous is his repeated assertions which can only be read as meaning that any settlement involved without bloodshed and massacre won't count."

"Even the most enthusiastic pro-Americans among us cannot in truth testify to a spirit of U.S. helpfulness pervading these past years. Indeed, at a critical time, their decision to break sanctions over chrome shipments was an encouragement not only to the illegal regime, but to would-be sanctions cheats in other countries."

## Healey urged to widen tax bands

BY RAY DAFTER

CONCERN about the latest information on the depressed economy has caused the Confederation of British Industry to make a last-minute plea to the Chancellor to use next week's Budget to stimulate growth and boost personal incentives.

The Confederation is to warn the Chancellor that its latest Industrial Trends survey, to be published on the eve of the Budget, will reinforce the need for expansionary moves.

It is understood that member companies are telling the Confederation that they are finding it increasingly difficult to obtain export orders and that the home market remains weak.

The survey is also likely to show that stock levels are either adequate or more than adequate to meet present levels of demand. Furthermore few companies see any positive signs of trade improving significantly.

### Confidence

These observations are consistent with the results of the Financial Times' business opinion survey published to-day.

This shows that the overall level of confidence about the economy and company prospects has declined from the high levels of last autumn.

The Confederation's letter to the Chancellor this week will probably emphasise its concern about the income levels of first-line managers, staff such as foremen and charge hands who have direct responsibility for improving industrial efficiency.

The staff have complained that they have little incentive to remain in their positions, the CBI said yesterday. Income tax was eroding their pay, and their differentials were being reduced by pay restrictions.

The letter is unlikely to amend the financial package requested of the Chancellor in the confederation's pre-Budget representation early in March.

But it will probably suggest that the economy is more depressed than expected and that an expansionary Budget is seen to be even more important.

The Confederation's plea for across-the-board tax cuts would cost £2.5bn. in the current financial year and £3.5bn. in a full 12-month period.

Its proposals include substantial cuts in corporation tax, and in other

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## Clearing banks demand equality

BY NICHOLAS COLCHESTER

THE LONDON clearing banks have capped a campaign against the fiscal advantages granted to the building societies with a massive volume of evidence to the Wilson Committee.

The main message in its 273 pages is that the Government should adopt a policy of "fiscal neutrality" towards all types of savings.

If the Government wanted to differentiate in favour of certain types of economic activity and against others it should do so by concentrating incentives or restrictions on the users of finance rather than on the institutions that provide it.

The plea is not new, but it is embodied in the most up-to-date piece of evidence presented to the Wilson Committee studying financial institutions.

The clearing banks' volume will be circulated to all branch managers and will be available to the public at £10 for a hard-back copy.

As well as describing the clearing banks' loss of share of sterling deposits and pointing to the various examples of fiscal and regulatory discrimination that have helped cause this, the evidence repeats three other suggestions to the Wilson Committee.

It criticises the decision of the authorities to use the "corset" special deposit scheme because this, too, discriminates against the banks.

It complains about the clearing banks' "unique obligation" to hold 1.5 per cent. of their eligible liabilities as non-

interest-earning balances at the Bank of England.

The clearing banks suggest that the Wilson Committee calls upon the authorities to establish official refinancing arrangements to make medium-term loans to industry.

They repeat that they will consider offering new forms of deposit schemes to raise funds appropriate to the provision of term finance. Issue of floating rate notes remains a possibility.

Finally, they add that the "institutional machinery" should be modified in some way to draw the long-term funds held by life assurance companies and pension funds into the equity capital of small enterprises.

Details Pages 5 and 28



## Israeli dissent at talks progress

By David Lennon

TEL AVIV, April 2.

THE ISRAELI Cabinet met this morning to hear a report by Mr. Ezer Weizman, the Defence Minister, on his talks in Cairo last week with President Sadat and to draw up guidelines for the next meeting of the two men. The Cabinet session was held against a background of growing popular dissent over the Government's handling of the peace negotiations with Egypt.

The Democratic Movement for Change, one of the coalition parties, was meeting this evening to discuss its attitude towards the Cabinet foreign policy amid growing demands within the party for it to quit the Government.

Despite Mr. Weizman's plans for more talks with the Egyptians, more than 30,000

An advance party of Norwegian soldiers in the UN peace keeping force will take up position in the eastern sector of the southern Lebanese front today, the Israeli army radio station said. Reuter reports. Some 1,000 Norwegians should be in position within days.

Israelis attended a rally in Tel Aviv last night calling on the Government to make compromises in the search to attain peace.

The Cabinet communiqué expressed regret that Egypt had rejected Israel's proposal to renew the deliberation of the joint Israel-Egypt military and political committee. They also declared Israel's hope that Egypt would consider its position.

Mr. Moshe Dayan (the Israeli Foreign Minister) is due to leave Israel this evening for a three-day official visit to Romania, the only East European country to maintain diplomatic ties with Israel. Romanians played a role in setting up the Jerusalem visit of President Sadat.

Roger Matthews adds from Cairo: President Sadat of Egypt expects Mr. Ezer Weizman, the Israeli Defence Minister, to return to Cairo for further talks in the next few days. But officials here are more than ever convinced that the peace process cannot be carried forward while Mr. Menachem Begin remains Israel's Prime Minister.

In an interview published today by October magazine, Mr. Sadat declared that the direct contacts between Egypt and Israel "will continue for ever." He added however that a "clear change" in attitudes was needed before Egypt could contemplate the resumption of the political and military committees.

## Some imports banned in Nigeria austerity budget

By James Buxton

NIGERIA, Britain's ninth largest export market, has introduced an austerity budget to cope with falling oil revenues which includes a total and immediate ban on several major imported commodities.

The budget, announced by Lieutenant-General Olusegun Obasanjo, the Head of State, involves a 10 per cent cut in the federal government's current expenditure, a 5 per cent increase in corporation tax and restrictions on bank credit.

The need to cut spending stems largely from the recent sharp drop in oil revenue, the result of a world surplus of light, low sulphur crude of which Nigeria is an important producer. In January this year Nigeria's average daily output was 1.64m. barrels per day, a 25.5 per cent drop on the January 1977 output.

According to the latest Middle East Economic Survey Nigeria has decided, in co-ordination with Algeria and Libya, to cut its oil prices by between 21 and 22 cents per barrel for the second quarter of the year. The weekly Journal said that the cut would be sufficient to have much effect on oil exports.

Gen. Obasanjo did not state what Nigeria's anticipated revenue for the new financial year would be. He said that the total of recurrent federal spending and non-statutory allocations to the country's 19 states would total Naira 2.8bn. (\$4.4bn.) compared with N3.1bn. last year, a drop of 10 per cent.

He apparently did not state this year's statutory allocations to the states would be (last year they totalled N1.8bn.). Central spending would be N5.7bn. (compared with N5.2bn. last year) of which N5.2bn. had already been authorised. Much of the country's capital spend-

ing is likely to be financed out of foreign borrowing, including the recently concluded \$1bn. syndicated bank loan.

Gen. Obasanjo said that in the past calendar year Nigeria had a balance of payments deficit of N800m. (\$960m.), more than twice that of the previous year. Foreign reserves were N3bn. (\$4.5bn.) at the end of last year, compared with N3.7bn. (\$5.9bn.) two years before. "We must get out of the illusion of wanting to be like Europe or America without making the necessary sacrifices," he said.

A ban has been placed on the imports of 14 commodities, including beer, beef sugar, footwear, carpets, furniture, frozen meat, matches, ready-made garments and jewellery. Britain, which exported £1.07bn. worth of goods to Nigeria last year, will be affected: British clothing exports of all kinds to Nigeria amounted to £24m., footwear, £5m. and furniture £7.7m. But the bulk of Britain's exports are

in transport and machinery, chemicals and manufactured goods classified by material.

Among the other budget measures are an increase in corporation tax from 45 per cent to 50 per cent; a new but unspecified port surcharge; and the introduction of tolls on major highways and bridges and an increase in airport tax. The permissible rate of increase in bank credit expansion is to be cut from 40 per cent to 30 per cent. There are to be new incentives to raise agricultural output. Purchase tax is to be introduced on some items.

The largest item of expenditure in the recurrent budget is education, at N779m., followed by defence at N598m. and police at N123m.

Gen. Obasanjo said that Nigeria's imports had risen to N8.7bn. (\$10.7bn.) in 1977 from N6.7bn. (\$8.04bn.) in 1976, while exports were up from N5.9bn. (\$8.44bn.) to N8bn. (\$12.5bn.). The balance of payments deficit was accounted for by remitted dividends, and other invisibles.

## Rhodesia devalues by 8%

By Tony Hawkins

SALISBURY, April 2.

RHODESIA today devalued by 8 per cent against world currencies and 5 per cent against the South African rand—the second such devaluation within six months. In mid October last year the Rhodesian dollar was devalued 6 per cent against major currencies and 3 per cent against the rand.

New rates will be quoted for the first time to-morrow by the Reserve Bank of Rhodesia, but the sterling rate is likely to be about 77 U.K. pence to the Rhodesian dollar compared with virtual parity between the pound

and the Rhodesian dollar in early 1977. The U.S. dollar rate will be 1.44 U.S. dollars to the Rhodesian dollar and the rand rate will be 1.24 rands to the Rhodesian dollar.

In a statement Mr. David Smith, Finance Minister, said these adjustments had become essential for reasons similar to those given last October, "namely a further significant change in the value of the U.S. dollar in relation to other major currencies as well as balance of payments consideration."

## Palestine terrorist chief funeral plan

By Ishan Hijazi

BEIRUT, April 2.

PREPARATIONS are underway in Baghdad for the funeral to-morrow of Dr. Wadi Haddad, co-founder of the Popular Front for the Liberation of Palestine and a key figure in international terrorism, whose death on March 28 from cancer was announced yesterday.

Although Dr. Haddad was officially dismissed from the PFLP in 1975 for ignoring the organisation's new reputation of aircraft hijacking, he has been posthumously re-embraced by the group.

A eulogy written personally by Dr. George Rabash, its leader, who yesterday flew to

Baghdad for the funeral, has been issued here on behalf of the PFLP.

Dr. Haddad and Dr. Rabash, who became close friends when studying medicine at the American University of Beirut together in the late 1940s, founded the PFLP in 1965 with the declared objective of destroying the State of Israel.

As head of the organisation's foreign operations branch, Dr. Haddad established an international network with connections to organisations such as the Japanese Red Army, the Baader-Meinhof gang, and the Uruguayan Tupamaros.

Besides being involved in many of the most conspicuous

terrorist incidents of recent years, Dr. Haddad became particularly famous as the mastermind of aircraft hijacking.

His most sensational feat was the multiple hijacking of several airliners to Dawson's Field in Jordan in 1970, which saved the way for the Jordanian clampdown on Palestinian guerrillas.

Since then, Dr. Haddad went completely underground and his movements became a mystery, though he lived on and off in Tripoli and Baghdad for the past five years. According to Palestinian sources here, he died in Algiers—not in East Berlin as earlier reported, although he had spent two weeks in hospital there in March.)

## Pay deal averts NY transport strike

By John Wyles

NEW YORK, April 2.

AN AGREEMENT which averted a crippling strike of New York City bus and underground workers was finally negotiated in the early hours of yesterday morning.

The pay negotiations covering the 33,500 transport workers were of immense significance for New York City's budgetary problems. The view which Congress takes of the deal will help to determine the size of federal aid to be made available to help the city avoid bankruptcy.

The transport workers contract generally sets the pattern for pay rises negotiated for New York's 250,000 municipal employees. After 24 hours non-stop bargaining, the transport workers agreed to accept a \$250m. lump sum, 6 per cent pay rises from July 1 which would run for 21 months and a new cost of living payment from July 1, 1979.

The Metropolitan Transit Authority is an agency whose deficits are covered by a mix of federal, state and city funds. It appears that last night's settlement was made possible by New York State governor Hugh Carey undertaking to pay \$75m. of the contract's \$84m. cost.

If the contract's provisions are applied to municipal workers whose current pay deal expires at the end of June, it could cost the city an estimated \$340m. After claiming that he had made no provision in his budget for pay rises, New York Mayor Edward Koch has managed to find \$500m., which is the net cost of proposals.

## U.S. may end arms embargo

WASHINGTON, April 2.

THE CARTER Administration will announce moves to end a three-year-old embargo on arms to Turkey next week.

The announcement, expected to be made by the White House soon after President Carter returns from his current overseas trip, follows talks in Ankara this week between Mr. Bulent Ecevit, the Turkish Prime Minister, and Mr. Warren Christopher, the U.S. deputy Secretary of State.

In return, a proposed four-year \$1bn. defence co-operation agreement with Turkey would be dropped and Turkish aid requests considered on a continuing basis. The proposed agreement was signed by the two countries in 1975.

Our correspondent adds from Nicosia: The Cyprus Government has reacted strongly to the U.S. arms embargo. The Foreign Minister, Mr. Nicos Rolandis, summoned the U.S. charge d'affaires in Nicosia, Mr. Ed Dillery, to his home and told him the move would have "disastrous" consequences and would be seen as "rewarding" Turkey for using U.S. weapons to invade Cyprus. He is to make written representations to Washington to-morrow.

## Pope makes appeal for Moro's release

By Dominick J. Coyne

ROME, April 2.

POPE PAUL today appealed publicly to the kidnappers of Sig. Aldo Moro, the former Italian Prime Minister, to release him.

His appeal was immediately criticised in private by many members of Sig. Moro's own ruling Christian Democrat Party, which has insisted that it will not succumb to "terrorist blackmail."

The Vatican had previously made it known that it was prepared to act if necessary as an intermediary between the ultra-left Red Brigade terrorist movement, which has claimed responsibility for kidnapping Sig. Moro on March 16, and the Government of Sig. Giulio Andreotti.

However, today's intervention by the Pope is something of an embarrassment, since it follows a formal Christian Democrat Party statement at the week-end that no deals would be made.

One senior party spokesman did, however, indicate yesterday that private intervention on humanitarian grounds, and without any party commitment, would be acceptable "to save life."

Sig. Andreotti is to meet privately here to-morrow afternoon with leaders of the main opposition parties, including Sig. Enrico Berlinguer, the Communist leader, to discuss all aspects of the Moro kidnapping in advance of a full parliamentary debate scheduled for Tuesday.

This debate is likely to concentrate not just on security aspects of the kidnapping but also on further measures to combat political terrorism in Italy.

Vatican sources indicated tonight that the Pope's intervention was based on humanitarian grounds and was not intended to interfere with the Government's hardline attitude to the Red Brigades.

Meanwhile, there are persistent reports that the Red Brigades have communicated through an intermediary with the Andreotti Government, laying down conditions for the release of Sig. Moro. The police refuse to comment, although some Christian Democrat sources claim to have knowledge of a so-far unpublished communication received by the former Premier's private office.

## U.S. visa for Communist

By Paul Betts

ROME, April 2.

DESPITE THE firm assertion of the Carter Administration that the United States did not want the influence of Communist parties in Western Europe to increase, the State Department has granted a visa to a leading Italian Communist, Sig. Giorgio Napolitano.

Sig. Napolitano is scheduled to visit the United States early next week for a brief but extensive official lecture tour including Washington, Harvard, Princeton and Yale. In 1975 Sig. Napolitano was refused a visa by the State Department.

Simultaneously, the only member of Italian origin of the Carter Administration, Mr. Joe

Caifano Jr., Secretary of Health and Education, is to visit Italy next month for the second time this year.

Mr. Caifano's visit, it is understood in official circles here, is intended to confirm to the ruling Christian Democrat Party the importance the U.S. attaches to Italy's membership of Nato.

At the same time, by granting Sig. Napolitano a visa, the Carter Administration is clearly keen not to give the impression that it is conducting a "witch hunt" against the Italian Communist Party, which is now supporting a minority Christian Democrat Government for the first time in some 30 years.

## Schmidt in Paris for talks

By Robert Mauthner

PARIS, April 2.

HEER HELMUT SCHMIDT, the West German Chancellor, paid Saturday a surprise visit to France this afternoon, for informal talks with President Valéry Giscard d'Estaing. It was the first meeting between the two Statesmen since the Centre-Right coalition's victory in the French general election on March 18.

The French and West German leaders met for 3½ hours at the Chateau de Rambouillet some 30 miles south of Paris, to discuss the European and world economic situation according to an official communiqué, published to-night.

No further details were given, but it is understood that one of the main purposes of the meeting was to co-ordinate the positions of the two countries before the Common Market summit in Copenhagen next Friday and Saturday.

President d'Estaing was understood to have told Herr Schmidt that there would be no fundamental change in France's economic policy during the next six months at least.

M. Raymond Barre, who was re-appointed by the President as the Prime Minister of the new French Government last Friday, has already announced that he will pursue his economic stabilisation policies. Although the new Government is expected to adopt early measures to raise the wages of the lowest-paid workers as well as family allowances, its main priorities will remain the fight against inflation and the reduction of payments deficit.

## W. German strike settlement looks close

By Adrian Dick

BONN, April 2.

NEGOTIATIONS between IG Metall, the West-German engineering workers' union, and employers' leaders in the south-west of the country resumed in Stuttgart this evening, amid increasingly confident predictions from both sides that a settlement is now in sight.

At the end of a weekend of almost uninterrupted bargaining, the two sides were believed to have worked out a deal both on pay and on the questions of protecting jobs and pay categories from the effects of technological change. Details were not, however, known.

Even if the negotiations do bear fruit, the 15-day old strike in the North-Wuerttemberg-North-Baden region around Stuttgart will continue until IG Metall has been able to carry out a ballot on the settlement package. Some 90,000 union members are on strike at over 100 automotive, engineering and metal fabricating factories in the region, while a further 140,000 people are affected by the employers' retaliatory lock-outs.

The supply of motor components and parts, in particular, has already dried up to plants elsewhere in West Germany, and employers' spokesmen have suggested that as many as a quarter of a million people may have to be put on short time working this week.

Agreement in North-Wuerttemberg-North-Baden would almost automatically lead to settlements in the other engineering industry wage bargaining regions.

## Soviet plan for satellites

By David Satter

MOSCOW, April 2.

THE Soviet Union has signalled its readiness to begin negotiations to ban "hunter-killer" satellites.

Gen. Nikolai V. Ogarkov, the Soviet Army Chief of Staff, expressed the Soviet willingness in a meeting last week with members of the U.S. House Armed Services Committee.

General Ogarkov gave "no details of the type of accord he had in mind or when negotiations might start but his statement is significant in the light of explicit recent Soviet denial that they were developing the means to destroy U.S. observation satellites.

The Soviets were said to have an operational system for hunting and destroying satellites by Mr. Harold Brown, the U.S. Defence Secretary, last October.

## Hongkong Land:

# Ensuring Future Earnings

Below: Davies Pacific Center in Honolulu, purchased in January, 1978.

### Record Profits

1977 Group Profits up 14% to £26.4 million.

### Increased Dividend

Final Dividend of 2.98 pence per share recommended, making a total of 4.36 pence for the year, up 15.2%. Dividend cover 1.26 times.

### Financial Resources

Soundly based, supplemented by HK\$300 million (£34.4 million) international bond issue in 1977.

### Developments

Gloucester Tower, new 45-storey commercial building in Central District under construction—will add 600,000sq. ft. of lettable space by mid 1980.

£68.8 million Pokfulam township already 65% sold. Phase One comprising 1,992 flats ready for occupation mid 1978. Entire project due for completion by late 1982.

Davies Pacific Center, Hawaii, 23-storey prestigious office building purchased in January 1978.

The Oriental Hotel, Bangkok—Her Majesty Queen Sirikit of Thailand opened its 350-room new River Wing.

### Future Prospects

Developments planned and under construction will ensure strong future earnings growth. Directors are confident of higher Group profit and dividends for 1978.

D.K. Newbigging Chairman  
Hong Kong 30 March 1978

	1977 £	1976 £
Group profit after tax	26,400,000	23,100,000
Dividends	21,000,000	18,200,000
Shareholders' funds	339,900,000	332,400,000
Earnings per share	5.50 pence	4.82 pence
Dividends per share	4.36 pence	3.78 pence
Net assets per share	0.71	0.69

Currency conversions from HK\$ made at rate ruling on 30 March 1978.

The Hongkong Land Company Ltd  
Alexandra House, Hong Kong



مكاتبنا في لندن

## Bristol-Myers International Finance Company

has made available to its holders, the balance sheet of the Company at December 31, 1977 and the statement of income and retained earnings and capital surplus for the year then ended. Copies may be obtained upon request to the Company.

BRISTOL-MYERS INTERNATIONAL FINANCE COMPANY

345 Park Avenue  
New York, New York 10022

Richard T. Kent,  
Treasurer

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See us in May at Inter-Index '78 Basel, Switzerland.

**CN** Canadian National Railways



SHIPPING REPORT

# A post-Easter lull

BY LYNTON McLAINE, INDUSTRIAL STAFF

A POST-EASTER lull in tanker and dry cargo ship chartering markets prevailed last week as brokers were starting to suggest that the summer dry cargo trading of late February had been maintained throughout March. It was not until the middle of last week that an accurate picture was available. This showed that there was still an oversupply of low rates, with owners unable to impose any restrictions on charterers. Even the flurry of very large crude carrier activity in mid-March, when five VLCCs were chartered from the Arabian Gulf, failed to make a sizeable impression on the 412,000 tonnes of spare capacity laid-up in 27 vessels in the Gulf. The weight of this burden was reflected in rates obtained for VLOCs. These ranged from 18.75 to 21.5 according to size and destination. Even demand for smaller vessels remained desperately low. Only voyages out of the Mediterranean to the U.S. showed a very slight improvement with a vessel of 42,000 tonnes obtaining Worldscale 75 and a 110,000-tonner Worldscale

# ILO warns of textile cutbacks

GENEVA, April 2.

TECHNOLOGICAL progress and changes in international trade are likely to make 1.6m. West European textile workers redundant by 1985, the International Labour Organisation (ILO) said here. Developing countries now possessed growing production capacity for man-made fibres and benefited from ready access to raw materials, large domestic markets, plentiful labour and new technology, it said. Official reports prepared for the ILO's textile committee meeting here from April 4 to 13 said new fibre-producing areas outside Western Europe, North America and Japan now account for a quarter of world polyester production compared with less than 10 per cent 10 years ago. Reuter

# Brazilian credit

By Diane Smith

RIO DE JANEIRO, April 2.

AS A PRELUDE to a trade mission headed by Crown Prince Harald and including 40 Norwegian businessmen, Norwegian diplomats here have announced that the Export-Import Bank will immediately open a \$5.3m. credit line to Brazil's national oil company Petrobras and place an equal sum at the disposal of the Brazilian Economic Development Bank. This financing would cover the purchase of oil-prospecting equipment from Norway.

# Contracts

A letter of intent for a \$7m-plus contract for the shore approach works of a gas pipeline on either side of the Magellan Straits in the southernmost tip of South America has been received by a company within the Land and Marine Engineering Organisation of the Ministry of Defence. The Royal Bos Kalk Westminister Group.

An order for Fibrelam aircraft flooring panels worth over £1m. has been received from Boeing by the bonded structures division of Ciba-Geigy. Production of Fibrelam has increased rapidly since it was chosen as original equipment for the Boeing 747 just 3½ years ago. Saunter-Dival, part of the Saint Gobain-Pont-a-Mousson group, has won two contracts worth \$100m. to supply Qatar with two electricity networks, a spokesman for the parent company said. The Zurich-process engineering company, a member of the Emser Group, is to act as general contractor for the building of a cotton spinning mill in Port Sudan. The order, placed by Occidentale de Genéve and Intercontinental Spinning and Weaving Factory of Port Sudan, has a contract value of over \$7.5m. and will be commissioned in the first half of 1980.

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# AMERICAN MOTORS AND RENAULT

# An affair rather than a marriage

AMERICANS may legitimately wonder which will be the next foreign car manufacturer to be beseeched on the U.S. shores by the sinking dollar as first Volkswagen and now Renault look to produce their vehicles on the American mainland.

Currency changes are now a problem for any European manufacturer, observed M. Bernard Hanon, Renault's director of worldwide automotive operations, on Saturday. He had come to a suburban hotel on the outskirts of Detroit to help explain to a somewhat defensive American Press why his company had made the agreement in principle (announced on Friday) to launch various forms of co-operation with American Motors Corporation, the smallest and financially weakest U.S. car manufacturer.

Both Mr. Hanon and Mr. Gerald Meyers, AMC's president and chief executive, were vague on many matters yesterday because a legally binding agreement between the two companies has still to be negotiated.

But it emerged on Saturday that there are no plans for Renault to inject any cash into this new relationship, one of the most important fruits of which could be the production in 1980 at AMC's Kenosha, Wisconsin, facilities of the new R18 which is to be launched in Europe in a fortnight's time.

Renault will have access to AMC's 2,100 dealers (not all of whom will want to sever relationships with other Europeans such as Fiat, to accommodate Renault) and in the autumn Renault will

step up shipments of its front-wheel drive small car, the R5, known in the U.S. as "le car".

In addition, AMC's jeep will be distributed through Renault's international dealer network, and the two companies will work together to produce more new models for the U.S. market.

This planned arrangement, not quite a marriage but more than an affair, stands in contrast to the strategy being pursued by Volkswagen which is spending upwards of \$150m. in building an assembly plant in Pennsylvania which will produce its first car in just one week's time. While Renault may be shying clear of direct investment, it is looking for a great deal more from its relationship with AMC than the market's weakest U.S. car manufacturer has agreed in principle to launch various forms of co-operation with a major French motor group.

Writing from New York, John Wyles explains why the smallest and financially weakest U.S. car manufacturer has agreed in principle to launch various forms of co-operation with a major French motor group. AMC's sales plummeted to a bare 2 per cent of the U.S. market last year. The company's hope is that unit costs will be reduced through producing a Renault car alongside its own model range and that there will also be a sales fall-out for its own cars through the introduction of Renaults into AMC showrooms.

Thus Mr. Meyers believes he has made the "perfect match" which will yield "a fine platoon of products to sell". But there were many unanswered questions at Saturday's press conference. AMC says it should be able to generate the finance needed for tooling and other machinery for assembly.

But AMC's profits have been scanty—a \$3m. operating surplus last year compared with a \$34m. loss the year before—largely thanks to a deficit of up to \$80m. on car manufacturing. These car losses are being offset by AMC's keep utility vehicles and public transport buses. But the prospect of a cash crunch has already led to an application for Federal loan guarantees of up to \$160m. The need for this money in the 1980s is not changed by the Renault agreement, says AMC.

Assuming that AMC can find the cash to put a Renault car on its production lines, will the French company really be prepared to join AMC in product planning and development while leaving manufacturing and marketing responsibilities to AMC whose record has not been conspicuously successful in recent years?

If Renault has to put money into the agreement, how soon before it begins to seek a wider measure of control over AMC's car manufacturing?

The speedy negotiations of the last seven weeks have been greatly aided by the Concorde. ("A great little shuttle," said Mr. Meyers yesterday). The only certainty about this agreement is that supersonic flights between New York and Paris are going to be guaranteed passengers.

Hong Kong's 1978/79 gross domestic fixed capital expenditure on construction and machinery by the public sector will rise to 6 per cent of GDP from 5.3 per cent last year, Mr. Philip Haddon-Cave, Financial Secretary, said. Reuter reports from Hong Kong. Mr. Haddon-Cave said this compares with an average 4.2 per cent in the 1970's and 2.7 per cent in 1977. He noted public and private gross domestic fixed capital expenditure on construction and machinery accounted for almost 24 per cent of GDP in 1977.

# Davy wins share of £19m. Soviet gas plant contract

BY LESLIE COLT

BERLIN, April 2.

THE WEST BERLIN engineering company, Borsig, a subsidiary of Deutsche Babcock, has won a DM72m. (£19m.) contract to build two carbon dioxide liquefaction plants in the Soviet Union, to extend the productive life of oilfields.

Davy Powergas is the main sub-contractor in the deal, signed in West Berlin between Borsig and Technomashimport of Moscow. Completion is expected by 1980 and payment is to be in cash, according to Borsig.

Borsig is to build what it says will be the world's largest carbon dioxide liquefaction plant, east of Moscow in European Russia, with an annual capacity of 1m. tonnes.

The second plant at another location is to produce 400,000 tonnes a year. Both will use now under construction from carbon dioxide from existing gas fields in the Soviet ammonia synthesis gas plants in Eastern Europe.

# World Economic Indicators

WORLD ECONOMIC INDICATORS		UNEMPLOYMENT			
		March 78	Feb. 78	Jan. 78	March 77
U.K.*	000's	1,400.0	1,409.0	1,424.4	1,321.1
	%	5.9	5.9	5.9	5.4
U.S.*	000's	6,090.2	6,256.0	6,337.0	7,600.0
	%	6.1	6.3	6.4	7.9
Belgium	000's	25,200.0	25,900.0	26,400.0	26,600.0
	%	11.8	12.1	12.3	12.4
France*	000's	1,800.0	1,827.7	1,854.1	1,772.0
	%	5.0	5.1	5.2	4.9
W. Germany	000's	1,200.0	1,215.5	1,200.0	1,022.1
	%	5.4	5.4	5.4	5.0
Holland*	000's	198.7	202.7	208.0	200.4
	%	5.0	5.1	5.2	5.0
Italy	000's	1,538.0	1,596.0	1,672.0	1,692.0
	%	8.0	8.0	8.5	8.5
Japan	000's	1,390.0	1,472.0	1,472.0	1,472.0
	%	5.0	5.5	5.5	5.5

\* Seasonally adjusted. † Provisional.

# S. Korean nuclear study

BY VICTOR MACKIE

OTTAWA, April 2.

A GROUP of South Korean industrialists is in Canada for two weeks inspecting Government and private nuclear installations.

They are seeking to determine whether South Korean companies should start manufacturing nuclear components in future.

Atomic Energy of Canada, the Federal Government's nuclear development agency, said the 24 businessmen have been studying both the U.S.-style light water reactors and Canada's heavy water reactor system.

Canada has already sold one Candu nuclear reactor to South Korea, which is now under construction and South Korea has indicated it is interested in buying more reactors from Canada if possible.

It is understood that Canadian nuclear component manufacturers have a technological edge over competitors in the heavy water reactor field at present.

India, however, has its own Candu technology and Canada has licensed an Italian group of companies to build Candu reactors and is currently negotiating a licensing agreement with Romania.

# U.K. seeks openings

By Tanya Matthews

TUNIS, April 2.

GREAT BRITAIN is looking for new openings for its initiative defence field and equipment.

In 1977 U.K. imports stood at £19.6m. in petrol, olive oil, wine and textiles. Exports, chiefly equipment for industry, agriculture, public works and defence, stood at £28.4m.

Mr. Judd, who was received by President Bourguiba at the Carthage Palace last week, also had a working session with Mr. Abdulleh Farhat, the Tunisian Minister of Defence.

A number of points were discussed by the two Ministers, including the possibility of Tunisia buying two more patrol boats from Britain and a transport aircraft.

# U.S. call for more exports

ATLANTA, April 2. THE CARTER Administration will begin a national effort to increase small and minority business participation in export trade, according to the president of the U.S. Export-Import Bank.

Federal agencies will "work together in support of two major Carter Administration objectives—increasing U.S. exports and strengthening small and minority business in the United States," Mr. John L. Moore said here.

The Administration's new commitment to increasing U.S. exports is a logical response to the U.S. trade deficit, said Mr. Moore, whose bank lends money and guarantees or insures loans so that U.S. firms have credit necessary to sell their products abroad.

"We need to look no further than to last year's record trade deficit of \$26.7bn., more than four times the size of the \$5.9bn. 1976 deficit, to realise the severity of our country's current trade problems," Mr. Moore said. He added that the Commerce Department estimates 50,000 companies have export potential but only 25,000 are exporting.

AP-DJ

# COMPAGNIE BANCAIRE

Société Anonyme

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Regd. Office: 25 avenue Kleber, 75116 Paris.

# NOTICE TO SHAREHOLDERS

Following a Resolution passed at the Ordinary General Meeting held on 23rd March, 1978, a dividend of Frs. 8.00 per share of Frs. 100.00 nominal for the year ended 31st December, 1977 is now payable as follows:

On presentation of Coupon No. 24 residents of the United Kingdom will receive Frs. 8.00 per Certificate of Frs. 100 nominal. Coupons will be paid at the rate of exchange on the day of presentation.

Under the terms of the Double Tax Convention between France and the United Kingdom, residents of the United Kingdom will receive, subject to completion of Form RF-4 GB, on or after 15th January, 1979 an additional Frs. 4.20 per Bearer Share thus increasing their dividend entitlements to Frs. 12.20 per share.

Holders are advised to submit Form RF-4 GB at the time of presentation of Coupons but the Form may, however, be submitted at any time up to 31st December, 1978.

Payments in respect of Coupons will be subject to deduction of United Kingdom Income Tax at the standard rate of 34% unless claims are accompanied by an affidavit.

Coupons should be lodged with—  
S. G. WARBURG & CO. LTD.,  
Coupon Department, St. Albans House, Goldsmith Street, London EC2P 2DL.

from whom appropriate claim forms and further information can be obtained.

Copies of the Annual Report and Accounts are available in French and in English on application to S. G. Warburg & Co. Ltd. 3rd April, 1978.

# WHICH EEC COUNTRY GIVES U.S. INDUSTRY THE HIGHEST RETURN ON INVESTMENT-AS MUCH AS 250% OF THE COMMUNITY AVERAGE?

In detailed studies of the performance of American industry in Europe for 1975 and 1976, by the U.S. Government's Department of Commerce, Ireland emerges the clear winner. American manufacturing companies returned 29.5% on their Irish investments compared with a 12% average for the EEC.

Ireland's high figure of 29.5% contrasts dramatically with countries like Holland, Belgium, France and the U.K. None of these even reached the EEC average.

Ireland's achievement was no fluke. This standard of performance is regularly achieved. It is a major reason why, of all the overseas investment in Ireland over the past 15 years, almost half is accounted for by American companies.

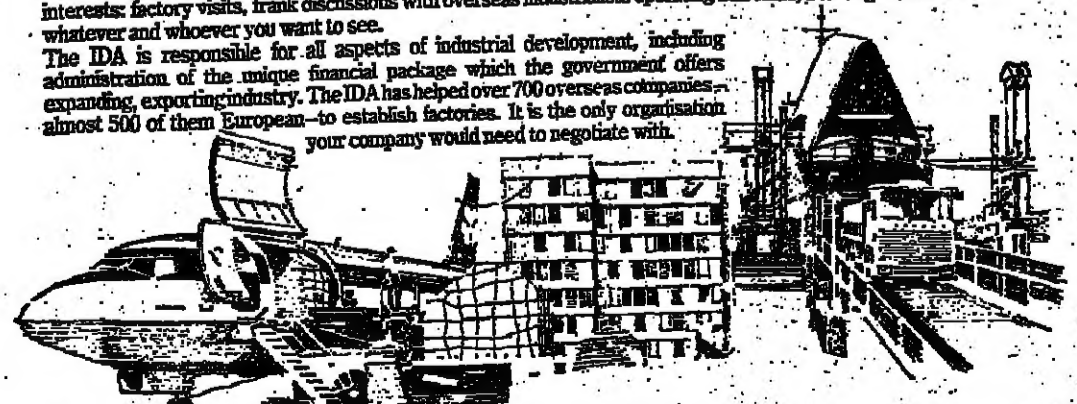
Ireland is not just a convenient way for U.S. firms to manufacture within the EEC's tariff walls. Ireland is becoming a significant gateway into other markets in Europe, The Middle East and Africa.

Also Irish foreign-exchange regulations favour the free and unrestricted movement worldwide of the profits and capital gains realised in the Republic.

## INDUSTRIAL IRELAND-COME AND SEE HOW IT WORKS

Europe's most dynamic industrial base is only 50 minutes from London by air. Any company with expansion in mind should get a first-hand picture of the special advantages the Republic of Ireland offers. The Irish Government's Industrial Development Authority will gladly organise a personal presentation and visit to suit your particular interests: factory visits, frank discussions with overseas industrialists operating in Ireland, meetings with trade unions... whatever and wherever you want to see.

The IDA is responsible for all aspects of industrial development, including administration of the unique financial package which the government offers expanding exporting industry. The IDA has helped over 700 overseas companies—expanding, exporting industry. It is the only organisation almost 500 of them European—to establish factories. It is the only organisation your company would need to negotiate with.



Confidential: To Hugh Alston, Director, IDA Ireland, 28 Bruton Street, London W1X 7DR.  
Telephone 01-499-6155. Telex 651-2475L.

Please telephone me with a view to discussing an investment package to suit my company and a familiarisation trip to Ireland.

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# Strong line against nationalisation

THE WILSON COMMITTEE'S inquiries have prompted the London Clearing Banks to produce their first comprehensive self-portrait since the Radcliffe Committee examined the British monetary system in 1957.

This substantial book of 278 pages puts the clearers' case to the Wilson Committee, defending their role in financing industry, listing their proposals for changes in the financial system, and taking a strong line against Bank nationalisation—the issue that gave rise to the committee in the first place.

Secondly, the book exploits the time and effort that have

gone into this to provide the public and the clearing bank branches with a reference work describing what the banks do, how they do it, and how their business has changed over the last 20 years. Charts and statistics are provided in abundance.

The central chapters of the book describe the Clearers' deposit taking and lending and show clearly the erosion of market share that the big banks have suffered in both.

Since 1962 the share of sterling deposits going to all the clearing banks has fallen from 49 per cent to 35.4 per cent, while that of the building societies has risen from 21 per cent to 38 per cent.

In the last ten years the London clearing banks' share of bank lending to U.K. residents has fallen from 70 per cent, to 52 per cent, and their share of loans to manufacturing industry from 70 per cent to 37 per cent.

As their key recommendation the banks repeat that the current system of controls, regulations, incentives and subsidies applied to different types of financial institutions have led to unfair competition and to inefficiency in the financial system.

They argue for "fiscal neutrality" in which incentives would benefit the users of finance (say housebuyers)

rather than the institutions lending to them (such as building societies).

If the exercise has given the clearers an insight into ways in which they might improve themselves, the reader finds few signs of it.

The authors can conveniently claim to be united in the face of external challenges in an unfair financial system, yet to be competing—with all the secrecy that implies—when it comes to self-improvement.

The clearers mention repeatedly the challenge to the business of lending to industry posed by the American banks. They emphasise that the clearers, too, are now making 40 per cent of their loans to

industry as American-style term loans.

One of their recommendations is aimed at increasing this proportion further.

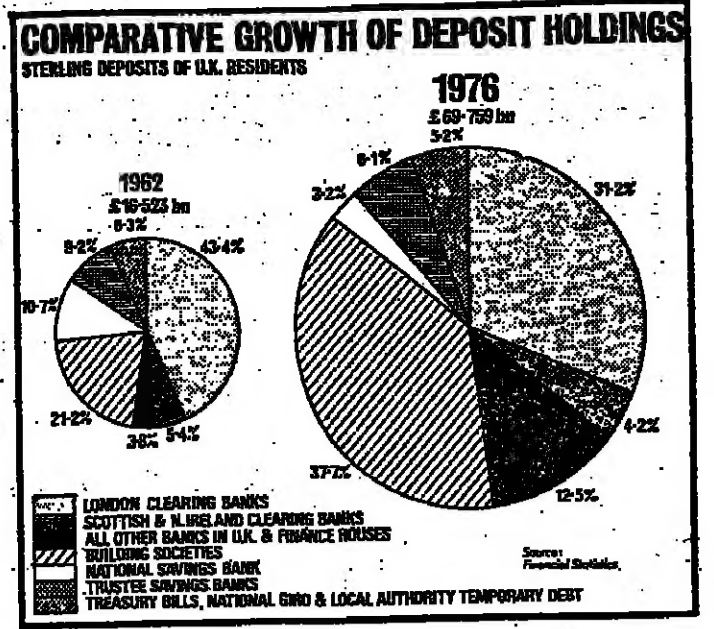
A substantial chapter is devoted to the terms and conditions on which the clearers lend to industry. It contains the clearers' answer to the thesis of the American banks that Americans lend to industry on a "going concern" basis whereas the British banks tend to lend on a "gone concern" or "break-up" basis.

The clearers insist that a concern must be "going" to get a loan. They add that the main reason why the clearers make proportionately less use of sophisticated appraisal tech-

niques than certain other banks is that a high proportion of the clearers' lending is to customers of long standing and to smaller companies.

Other chapters describe the international activities of the clearers, compare the British banking system with those in other countries, tell of the clearers' diversification, and present the case against nationalisation of banks.

The common theme here is that competition has prompted the clearers to move far in the direction of being universal banks, providing an increasing range of services and reducing the differences that remain between banking in Britain and banking elsewhere.



### TERM LENDING

Contractual advances to non-personal borrowers only

U.K. residents	1973	1974	1975	1976
U.K. residents	1,725	2,052	2,666	3,243
U.K. residents	936	1,483	2,252	2,937
U.K. residents	2,661	3,535	4,918	6,180
Total	9,883	12,791	13,383	15,290
Percentage of contractual lending to total lending	26.9%	27.6%	36.7%	40.4%
Total contractual lending from above	2,661	3,535	4,918	6,180
Special export finance schemes	1,331	1,560	1,797	2,038
Total	3,992	5,095	6,715	8,218
Total lending to non-personal borrowers including special export finance schemes	11,214	14,351	15,180	17,328
Percentage of contractual lending and special export schemes to total lending	35.6%	35.5%	44.2%	47.4%

Source: CLCS Statistical Unit

## The main recommendations and the text

Here are the main recommendations of the report with relevant sections of the text to each.

● An overhaul of the whole range of controls, regulations, incentives and subsidies applied to different types of financial institution.

At present the national savings movement, the building societies and the life assurance companies in particular can attract deposits and savings on the basis of fiscal and regulatory advantages not available to other types of institution.

Such differentiation may have made sense when the roles of the various institutions were more clear-cut than they are today. But now that institutions are increasingly competing with one another in the same market places, the differentiation has become discriminatory and unduly lessens the efficiency of the financial system as a whole.

In particular, the banks would strongly urge a policy of fiscal neutrality towards all types of saving, with incentives applied either universally or not at all.

In general, the banks believe that if the authorities wish to differentiate in favour of certain types of economic activity and against others, they should do so by concentrating their incentives and restrictions on matters of finance, rather than on institutions.

The growth in the deposits of U.K. residents with all the identified repositories has been almost exactly the same over the past 14 years as that of gross domestic product at current prices—about 325 per cent in each case. However, within this figure different repositories expanded at dramatically different rates. At one extreme there was a virtual twentyfold increase between 1962 and 1976 in deposits with non-clearing banks (including foreign banks in London and the clearing banks' own banking subsidiaries); at the other extreme there was a mere 25 per cent increase in deposits with the National Savings Bank.

Between these extremes, the clearing banks showed below average growth of just over 200 per cent, while the other large savings medium, the building societies, grew by nearly 660 per cent.

Admittedly these two figures exaggerate the differences in the total deposit growth of the clearing banks and building societies, because of the exclusion of the banks' subsidiaries.

On the other hand, they underestimate the difference in the growth of the retail deposits of the banks and the building societies because the clearing banks include some wholesale deposits after 1971.

The building societies overtook the clearing banks in aggregate deposits for the first time in 1971 and after losing some ground in 1974 recovered their lead in 1975 and substantially increased it in 1976.

The growth in the market share of the building societies is the main reason why banks as a whole have suffered a decline in their share of total deposits over the 14-year period, despite the rapid growth of non-clearing banks.

The faster growth shown by the building societies reflects the high rates of interest they

have been able to offer, partly by virtue of the composite-rate tax arrangements from which their tax-paying depositors benefit.

The shift in market share from banks to building societies probably represents the most important change in the deposit-taking picture over the past decade or so.

● Improvements in the techniques of monetary policy

The banks' ability to meet industry's needs in the past has undoubtedly been impaired by their own need to observe certain types of monetary and credit control. Had the authorities been able to operate the Competition and Credit Control system in the way they had hoped, with few direct controls on the lending activities of individual institutions, the banks would probably have had no such complaints.

But the introduction (and subsequent reintroduction) of the supplementary special deposit scheme faced banks with the difficult problem of reconciling individual requests for finance with the need to observe what amounted to an overall lending ceiling. In general, the banks believe that industry's interests are best served by monetary controls such as reserve asset and special deposit requirements and open-market operations which apply evenly and without discrimination to the financial system as a whole.

In particular, they see no justification for their unique obligation to hold 14 per cent of their eligible liabilities as non-interest-earning balances at the Bank of England. It represents an unjustifiable cost of intermediation and confers an artificial competitive advantage on non-clearing banks.

Various theoretical criticisms of the mechanism of Competition and Credit Control have been made.

The rapid increase in the money supply in 1972 and 1973 was not, however, due to leakages or other technical defects in the system. It was due to a reluctance on the part of the authorities to make full use of the weapons available.

When CCC began, the banks were deliberately left with spare lending capacity, with the clear intention that they should use it. With hindsight, it now seems clear that the time to apply a more restrictive policy was not recognised early enough, and in the meantime the expansion of credit had gathered such momentum that to stop it would have required a severe rise in interest rates, which might seriously have inhibited the desired rise in real investment.

Decisions regretted

Many banks took lending decisions in 1972 and 1973 which they later came to regret. But the fact that the monetary aggregates expanded at a rapid rate was not the fault of the banks.

Monetary policy was, at least to begin with, deliberately intended to bring about a big expansion in bank lending; the banks merely did what was officially expected of them.

At present, emphasis on the money supply has intensified to the point where explicit monetary targets have been set by the authorities. Adherence to these targets may well mean a continuance of the recent volatile behaviour of interest rates.

Nevertheless, the banks believe that the adoption of specific targets should have important benefits in terms of their effect on confidence in financial markets and, it is hoped, on inflationary expectations in the economy at large.

Certain academic opinion, especially in the U.S., favours the complete abandonment of the method of controlling the money

supply indirectly through interest rates, and its replacement by a rigid "monetary rule" whereby the reserve asset base of the banking system would be adjusted week by week in accordance with a pre-ordained formula, with little, if any, attempt to allow for short-term pressures.

The clearing banks would view any such proposal with some anxiety. Academic commentators are perhaps not sufficiently aware of the very considerable short-term fluctuations in the monetary variables, many of them unpredictable. One important function of the banking system is to absorb such fluctuations and it is essential that the system of monetary control be sufficiently flexible to permit it to do so.

If anything the banks would prefer to be rather more day-to-day flexibility in the reserve asset base than exists at present.

A significant and regrettable departure from the principle underlying CCC of free competition between banks took place in November 1973 when the authorities introduced the supplementary special deposits scheme, popularly known as the "corset".

Since the corset applies to each bank individually, not to the banking system as a whole, it is a clear breach of the principles of CCC; indeed it is only a little more flexible than lending ceilings. It is especially onerous for the clearing banks because the fluctuations in their lending that result from drawings on existing overdraft facilities make it necessary for them to aim well below the ceiling in order to be sure of not breaching it.

The banks hope that in future monetary policy will be conducted in such a way as to make it unnecessary to resort to measures that frustrate competition and innovation. The adoption of specific monetary targets will

perhaps make it easier to achieve this objective.

Another derogation of the competitive spirit of CCC was the request to the banks to restrict the interest paid on deposits of less than £10,000 to 9½ per cent between September 1973 and February 1975.

This was done to help protect building societies from the effects of high interest rates, and therefore directly distorted competition between the two types of institution. A particularly distasteful feature of this measure was that it required the banks to discriminate against their smaller customers.

Medium-term

● Improvements in the facilities for channeling term finance to industry.

In recent years the clearing banks have provided to industry and trade an increasing level of term lending facilities to the extent that it is now doubtful if any further great expansion is possible without giving rise to concern on prudential grounds.

The Wilson Committee may wish to consider, therefore, whether it would be appropriate to make a recommendation to the authorities for the establishment of official refinancing arrangements for medium-term lending, to be available to individual banks in case of need.

The financing of major contracts, notably in certain fields of civil engineering and process plant construction, can pose additional problems. Even if the finance is available on appropriate terms, there are difficulties of risk assessment and containment which are not always easy for a single bank or syndicate of banks to manage.

There may be a case for introducing some system of insurance or guarantee scheme to cover cases of proven difficulty, such as export contracts outside the specific terms of ECGD

(Export Credits Guarantee Department) arrangements. The banks for their part will continue to consider offering new forms of instrument for savers and depositors in order to increase their own capacity to provide industry with term finance.

In particular, they will give serious consideration to the possible development of floating-rate notes as a complement to their existing range of term deposit facilities.

Even before Competition and Credit Control the banks' subsidiaries had started to make contractual medium-term loans in a modest way. The ending of quantitative credit restrictions in 1971, and the greater degree of operational flexibility obtained through access to wholesale deposits, provided the opening for the clearing banks themselves to market such loans.

The contractual medium-term loan is formalised by a specific agreement covering purpose, period, repayment programme and cost, which together with associated conditions are written into a formal contract.

Loans of up to five or seven years are usual, although longer terms of up to ten years or so are increasingly agreed.

Over the past four years, advances under contractual term lending arrangements have accounted for an increasing proportion of the clearing banks' total advances.

This growth in term lending has changed the structure of the banks' lending portfolio. Clearly there must be a limit beyond which a clearing bank group cannot commit resources on a term basis, while at the same time maintaining an extensive line of undrawn overdraft commitments available to industry and trade.

So whether the recent rate of increase in term lending could be maintained in a period of economic expansion, with demand for overdraft finance rising in parallel, is far from certain.

While the banks would themselves not be unhappy to see some of their overdraft commitments removed and replaced by

Continued on Page 28

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## LABOUR NEWS

## Murray warning on bank and insurance recruiting

BY NICK GARNETT, LABOUR STAFF

A VEILED warning that the Association of Scientific, Technical and Managerial Staffs should keep out of banking was issued yesterday by Mr. Len Murray, TUC general secretary. At the same time, Mr. Murray, addressing the first day of the National Union of Bank Employees' annual conference in Sheffield, hinted that it would be in the interests of the trade union movement if NUBE continued recruiting and organising within the insurance industry.

Mr. Murray's speech, though not referring specifically to ASTMS, is part of an attempt to organise a sphere of influence recruiting agreement in finance—an area bedevilled by recruiting wars between the bank employees' union, ASTMS and staff associations.

Behind it lies concern among the TUC's leadership that union recruiting disputes in blue collar sectors might be repeated among white collar workers, who provide the biggest new recruiting field for the unions.

In emphasising the point, Mr. Murray referred specifically to the case of Mr. John Lyon's Engineers' and Managers' Association, which has been involved in a legal tussle with the TUC and the Advisory, Conciliation and Arbitration Service over recognition in areas where other TUC-affiliated unions have negotiating rights.

Such action as cross-recruiting was disturbing and a disservice to the whole trade union movement, Mr. Murray said. Inter-union problems should be sorted out between unions with TUC assistance if necessary.

## Strongest

ASTMS is by far the strongest union in insurance, with some form of recognition agreement in at least five of the main companies. An ACAS report has also recommended that the association be recognised in a sixth large company, the Legal and General.

The association also has a banking section, including 4,000 members in Midland, and it is trying to recruit further within the banks.

NUBE has a total membership of 117,000 and is the biggest union in banking. It also has a small insurance membership in Sun Life of Canada and a sole negotiating agreement in the Ecclesiastical Insurance office but intends making greater inroads into insurance.

It has already agreed merger terms with the 5,800-strong Guardian Royal Exchange Staff Union and is holding talks with other insurance staff associations.

NUBE and ASTMS have consistently failed to agree a sphere of influence arrangement.

## Chapple hits at TUC action in union row

By Our Labour Staff

MR. FRANK CHAPPLE of the Electrical and Plumbing Trades Union has publicly allied himself with the struggle of a small managerial union to establish itself in private industry in spite of fierce TUC opposition.

Mr. Chapple has criticised the TUC for its treatment of its affiliate the Engineers and Managers' Association since the EMA broadened from its traditional base in electricity supply and started recruiting in engineering.

Two TUC disputes committees have found against the EMA under the Bridlington rules. No poaching rules. A writ against the TUC was more recently against the Advisory, Conciliation and Arbitration Service for refusing to expedite a recognition claim in both cases. The white-collar section (TASS) of the Amalgamated Union of Engineering Unions was the other TUC union involved.

Mr. Chapple has attacked the TASS rules. He said the Bridlington rules had not been partially applied in these cases. Mr. Len Murray, TUC general secretary, last night referred to the long and acrimonious affair in his speech to the National Union of Bank Employees conference.

The EMA is also in trouble with the TUC unions who comprise the Confederation of Shipbuilding and Engineering Unions for its incursions into shipbuilding via a merger with the Shipbuilding and Allied Industries Management Association. The Board of British Shipbuilders has still to decide whether to recognise the EMA.

An attempt to prevent aggrieved TUC unions bypassing the Bridlington machinery and carrying fraternal disputes to the ACAS is contained in the Private Member's Bill sponsored by Mr. Ian Mikardo.

## Swan Hunter near to securing common wages agreement

BY OUR NEWCASTLE CORRESPONDENT

SWAN HUNTER is on the verge of a labour relations breakthrough that could end its long history of industrial action caused by inter-union pay rivalry at its five Tyneside yards.

The breakthrough depends on a meeting to-day of the company's 4,000 steelworkers, members of the Boiler-makers' Amalgamation, who are being recommended to accept a common wages agreement.

Five thousand men in other trades have already approved the agreement, which will go a long way towards restoring confidence shattered by the last inter-union row, which lost the Tyne a £5m. order from Poland.

The approval of the boiler-makers is vital to the success of the agreement, since they have been the group of workers mainly involved in power struggles between the unions in Swan Hunter's yards.

The agreement, if accepted, will be put to a central arbitration committee later this month. It would give craftsmen £83 a week and ancillary workers £72 a week.

It is the first time in the history of the Tyneside yards that all trades have joined forces to prepare a common wage structure.

## Northern plea to cut jobless

THE Northern Regional Council of the TUC is to seek an urgent meeting with the Prime Minister to discuss growing unemployment in the North-East.

The Council decision was taken at the week-end because of large-scale redundancies in the textile, steel, and shipbuilding industries.

Mr. George Arnold, the chairman, said unemployment in the region was now at crisis level and could get worse.

Mr. Callaghan would be asked to take steps to safeguard jobs, such as selective import controls to help the ailing textile industry.

## Chrysler sends home Coventry workforce

CHRYSLER'S engine factory in Coventry will be without production from to-day with its 4,800 workers laid off because of strike by forklift truckdrivers.

The truck drivers are protesting over the suspension without pay of two drivers who refused to accept the agreed policy of labour mobility.

They are not due to meet until Wednesday and those laid off will have to wait a company announcement about any recall.

Rolls-Royce's Coventry plant is also having labour trouble. Because of continuing sanctions, management has laid off 2,000 staff employees from to-day.

This follows the suspension without pay of 2,500 manual workers involved in a pay dispute.

The closure could also affect another Rolls-Royce plant in the area, where 1,400 are employed.

## Guardian and Times to appear

THE TIMES and The Guardian newspapers are expected to be on sale normally to-day for the first time in a week.

A pay dispute involving engineering workers, which halted publication of The Times and London editions of The Guardian, was settled early on Saturday.

An attempt to publish the Sunday Times which, like The Guardian, uses the Times plant, failed when machine assistants of the print union NATSOPA demanded a high premium payment to produce the newspaper.

Other newspapers, whose London distribution has been halted by a separate dispute, should be available after a peak formula reached on Friday night.

## BBC ballot on merger

ONE UNION covering radio, television and the film industry could be set up by the end of the year after the BBC staff yesterday gave the go ahead for a merger with their union colleagues from independent television.

The BBC staff, members of the Association of Broadcasting Staff, took the decision at their annual delegate conference in Guildford.

They gave overwhelming approval for a ballot of all members of the association—which represents more than a half of the BBC's 20,000 staff—to vote on a merger with the Association of Cinematograph Television and Allied Technicians.

They also supported a move urging all members to vote in favour of joining with the ACTT which represents about 16,000 staff in ITV and the film industry.

The final stage for a new union, which comes after 15

## This week in Parliament

**TODAY**

**COMMONS**—Supply Day debate on Royal Air Force Gun Barrel Proof Bill (Lords) remaining stages. Motion on Public Health (Aircraft) and (Ships) (Amendment) Regulations.

**SELECT COMMITTEES**—Expenditure, Social Services and Employment sub-committee. Subject, employment and training. Witnesses: Wolverhampton Council and Chamber of Commerce. (Wolverhampton Town Hall, 4 p.m.)

**TO-MORROW**

**COMMONS**—Wales Bill, committee stage.

**LORDS**—State Immunity Bill, third reading. Scotland Bill, committee stage, first day. Industrial Training Levy (Engineering) Order 1978.

**SELECT COMMITTEES**—Expenditure, Social Services and Employment sub-committee. Subject, employment and training. Witnesses: West Midlands County Council, Marpower Services Commission (County Hall, Birmingham, 9.30 a.m.)

**WEDNESDAY**

**COMMONS**—Wales Bill, committee stage.

**LORDS**—Debate on consumer representation in the nationalised industries.

**SELECT COMMITTEES**—Science and Technology. Subject: Discharge and filament lamps. Witnesses: G.T.E. Sylvania Endura Ltd. (Commons 10.30 a.m.). Science and Technology. Subject: Transverse flux induction. Witness: Electricity Council. (Commons, 4.30 p.m.). Expenditure, Social Services and Employment sub-committee. Subject: Employment and Training. Witnesses: Merseyside County Council and district councils. (County Hall, Liverpool, 10 a.m.)

**THURSDAY**

**COMMONS**—Independent Broadcasting Authority Bill, second reading. Co-operative Development Agency Bill, second reading. Motion on EEC documents on freshwater fish and shellfish.

**LORDS**—Housing (Financial Provisions) (Scotland) Bill, committee stage. Import of Live Fish (Scotland) Bill, committee stage. Conservation of Wild Creatures and Wild Plants (Amendment) Bill, committee stage.

**SELECT COMMITTEES**—Expenditure, Social Services and Employment sub-committee. Subject: Employment and training. Witnesses: Liverpool District Council, representatives of other Merseyside organisations. (City Hall, Liverpool, 10 a.m.)

**FRIDAY**

**COMMONS**—Private members' motions.

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Consolidated Statement of Condition			
ASSETS	1-1-1978	1-1-1977	Rate of Increase %
Cash and due from banks	834,847,826	203,460,957	157.8
Reserve requirements	410,807,602	288,688,507	52.8
Investment securities	135,113,567	87,703,564	54.1
Loans	1,014,118,355	842,094,237	20.4
Participations	63,892,478	42,462,179	50.5
Bank premises and equipment	40,252,730	31,222,378	28.9
Other assets	102,826,189	77,308,630	32.6
Total assets	2,291,158,617	1,582,960,453	47.5
LIABILITIES			
Deposits	1,636,013,628	1,253,478,072	30.5
Borrowed funds	396,378,579	124,730,904	217.0
Other liabilities	178,966,980	101,714,530	73.0
Total liabilities	2,209,349,187	1,479,923,506	49.2
STOCKHOLDERS' EQUITY			
Capital	31,188,831	31,188,831	—
Reserves	43,151,600	34,538,281	24.9
Provisions	9,494,899	7,311,635	29.9
Total stockholders' equity	83,835,330	73,038,747	14.8
Total liabilities and stockholders' equity	2,291,158,617	1,582,960,453	47.5

(Covered on TL 19.23 - U.S. \$ 1)

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**SCOTTISH AMICABLE**

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the One Hundred and Fifty-second Annual General Meeting of the Members will be held in 150 St. Vincent Street, Glasgow, G2 5NQ, on Wednesday, 12th April 1978 at 3.00 p.m.

By Order of the Directors,  
W. PROUDFOOT  
General Manager and Actuary  
150 St. Vincent Street, Glasgow, G2 5NQ  
10th March, 1978.

## THE SCOTTISH EASTERN INVESTMENT TRUST LIMITED

The Fifty-third Annual General Meeting of The Scottish Eastern Investment Trust Limited will be held on Monday 24th April 1978 at the offices of the Company, 29 Charlotte Square, Edinburgh, Mr. A. Logan McCulloch (the Chairman) presiding.

The following are extracts from the Directors' Report for the year to 31st January 1978—

**REVENUE**

Total Revenue as shown in the Accounts increased from £2,923,307 to £4,442,069 and after charging interest on borrowed money, management expenses and taxation, the revenue available for distribution amounts to £2,339,348 compared with £1,033,964 previously.

**DIVIDEND**

The Directors recommend a final dividend of 2.80p per Ordinary Share which, with the increased interim dividend, makes 4.05p for the year, compared with 3.50p last year. After payment of the dividend the revenue carried forward is £118,423.

**VALUATION**

At the year-end, the total net assets attributable to Ordinary Shares was £20,612,666 compared with £17,012,408 last year. Cash on Deposit of £6,836,856 is represented by £3,960,000 in Sterling and the Sterling equivalent of U.S. \$1,316,038 at an exchange rate of 1.9522 and where applicable, 28% per cent Premium. Based on these figures, the Net Asset Value of an Ordinary Share was 163p compared with 145p a year ago.

The Net Asset Value represents an accurately ascertained amount of assets less liabilities at work per share on the Balance Sheet date. It should not be construed as the 'break-up value' or amount realisable on liquidation.

At 31st January 1978, 90.1 per cent of the funds was invested in equities with 29.9 per cent of the total in North America and a further 7.1 per cent in other overseas countries. 7.9 per cent was held in Cash Deposits. Changes in the geographical distribution during the year were the result of market movements.

**OUTLOOK**

The past year has been a period of consolidation for the United Kingdom economy. The increased flow of oil from the North Sea has contributed markedly to the improved balance of payments position and strengthened the currency. However, a continuation of this trend could easily be endangered by a relatively modest rise in imports and a similar fall in exports.

Slow growth in world trade, combined with very volatile foreign exchange rates, does not bode well for the profitability of many British companies. This, along with the fragile state of some of the nationalised industries, is hardly encouraging and, with a General Election looming, the cautious state of the stock market is likely to continue.

In the U.S.A. the economy continues to make slow but satisfactory progress, and inflation in 1977 was contained to a rate of around 6 per cent. Despite this, the dollar has remained weak due to the large trade deficit which stems from the cost of imported oil. The stock market seems likely to remain weak until there is some policy and generally a better understanding of and trust in the administration. However, unless something unexpected occurs such as the reintroduction of price controls, many shares seem to be available at prices which should prove very rewarding to long-term investors.

Our policy now, as in the past, is to aim for long-term growth in income and capital, and by maintaining a broad industrial and geographic spread of investments to minimise shareholding risk. This aim is hampered by the country's tax system and exchange control regulations. However, the abolition of the 25 per cent premium dollar surrender rule from 1st January this year has reduced considerably the very high cost of realising overseas investments and provided an opportunity for more flexible management.

Due to currency movements, it is even more difficult than usual to estimate accurately revenue for the current year. However, some improvement in earnings is expected.

## THE YEAR IN BRIEF

	1976	1977
Total Revenue	£2,923,307	£4,442,069
Interim Dividend	2.50p	2.50p
Final Dividend	1.55p	4.05p
Total Assets attributable to Ordinary Shares	£17,012,408	£20,612,666
Net asset value of each Ordinary Share	145p	163p
Prior charges at par	125p	125p
Prior charges at market value	125p	145p
Number of Ordinary Shareholders	8,300	9,300



happles at UC action union

Guardian and Times to appear

OTTIS IICABLE FAREETING

ASTERN LIMITED

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOLTERS



One of the six new above-ground tracked drilling rigs to be put on the market by Holman. All the rigs will have common track bases, fixed or articulated booms and a range of drillers and down-the-hole hammers. With one exception (the rigs obtain their power from a towed air compressor). The exception, shown here, is the HF 130, which has an integral hydraulic power pack. This pack provides all the necessary power for operations with the exception of high-pressure air needed for the down-the-hole hammer. The rigs are being manufactured in Camborne, Cornwall, by Holman Drilling Division of CompAir Construction and Mining.

## DATA PROCESSING

### Determines pipe stress

OFFERED BY Computer five volt power supply (it is Sciences Company in London based on the Intel 8045 device), and developed by AAA Technology and Speciation Company of Houston, is a suite of programs which will provide engineers with a simple method of assessing static stresses in pipe systems, nozzles, flanges and pressure vessels.

Used in conjunction with the Infonet remote computing service offered by Computer Sciences, the programs can be used by practising engineers with no knowledge of computer languages or techniques.

Programs available include a system for pipe stress analysis which considers thermal, pressure and weight effects, and another which will calculate the stresses outlined in the Welding Research Council Bulletin 107 (the Billard method). Other programs cover flange, pressure vessel analysis and re-rating, and drill footing design. Others are planned.

More from Heathcote House, 20, Savile Row, London W1X 1AE. (01 437 3045).

## Pocket terminal

PROVIDED that one can manage without hard copy, a small calculator-like data terminal can be used as a low-cost substitute for conventional electromechanical teletypewriters. It will have particular application where interactive data input/output is needed at sites where a teletypewriter is not normally available, for example, at the microprocessor-driven outstations of a telemetry system. It can also be used in warehouse and retail stock data collection systems and for the entry or retrieval of production data in factories.

Called Pocket Terminal, the device can send and receive data in eight bit serial ASCII code. It has a 40-key tactile response keyboard and many of the keys can be assigned four different meanings, allowing the transmission of all 128 ASCII codes. The display consists of eight characters of 16-segment LEDs working in conjunction with a memory which stores the last 30 characters received. The eight character "window" can be moved left or right to examine the store content. Alternative interfaces give compatibility with 20 mA loop or V24/RS232C transmission levels; a set of slide switches allows selection of 110 or 300 baud signalling rates, parity codes and stop bits to suit users' standards. Operational versatility is provided by a controllable cursor, which can be used for data entry in a variety of forms and also allows editing of data in a host processor's memory. The terminal requires a single 240 volts and uses 650 watts.

## TRANSPORT

### Prevents engine damage

WATCHDOG equipment that keeps a constant check on three important factors in the operation of big diesel engines—coolant overheating, coolant loss and oil pressure drop—and gives an alarm or stops the motor can save operators of heavy lorry fleets very large sums of money. It is based on solid-state electronics and provides the warning in the driver's cab, both visually and audibly. At the same time, if the user wishes, the equipment can take action to protect the engine by shutting it down automatically. There is also an override which allows the driver to restart for 30 seconds so that he can take the vehicle to a more convenient or safer position. Subsequent restarts are limited to 30 seconds each until engine conditions return to normal operating parameters. Kysor Industrial, which makes the "Tempressure System," says its competitors include some who offer manual override facilities which can be abused by an inattentive driver or through design, based on state-of-the-art electronics, will prevent potentially dangerous practices and provides inherent reliability. Loss of coolant or oil will lead to serious damage if not detected quickly and while overheating of the coolant is not as serious, early inspection is advisable. The simplest workshop repairs on a big vehicle are expensive when the cost of downtime is considered and typical new power units can exceed £2,000, so a foolproof guard device is worth while. In most cases a quick roadside inspection will enable an expert to detect the cause of the alarm and take effective remedial action without significant costs. Where the problem is greater, the Kysor unit will at least have prevented severe consequential damage. Kysor Industrial (GB), Bridge Works, Whitworth Manchester. 070 686 2373.

## TELEVISION

### Re-gunned tubes BSI approved

ABOUT 1m. colour tubes are now being re-gunned in the U.K.—probably a third of the rate at which new ones are being made by the remaining U.K. manufacturer, Mullard. On the basis of the price charged by distributors, some £20m. to £25m. of business is involved. Mullard and Thorn are thought to have 75 per cent. of the replacement tube market (the remainder is shared by 50 or so other companies) and have for some time been working with BSI and the Electronic Components Industry Federation towards a certification scheme for re-built tubes. The scheme has now been launched with the granting of certificates to Mullard and Thorn Colour Tubes. Its basis is clause 182 of BS 415 (Safety requirements for mains operated sound and vision equipment) which specifies the tests for mechanical strength of picture tubes and protection against implosion but is in no way concerned with visual or electrical performance. The emphasis is thus on safety, the purpose of the scheme being to ensure that approved re-gunned tubes are as safe and reliable as new ones. Certain dubious practices known to occur in the re-gunning industry will become difficult or impossible if a company is to get, and keep, certification. These include over-buffing of the faceplate reducing strength, neck removal to a point too close to the bulb and use of the wrong glass when replacing the neck—all these can result in stress problems in the glass. It will also be generally necessary to re-process the tube under vacuum at high temperature, demanding removal of the rim-band.

## OFFICE EQUIPMENT

### More power for word-processor

UNICOM has been expanded in power and this new version of Logica's word processing system can handle up to 16 input key-boards and screens. It offers a more economical solution to the word processing needs of larger users than existing equipment. Online disc capacity can be expanded to match the increased number of work stations and up to 20 Megabytes of storage can be provided immediately. Larger discs will be available in the near future. Two of the new versions of the system, which has 128 kilobytes of main memory, have already been installed. One is at Unilever and one at another customer site in the U.K. Cost per work station for the larger systems is £8,300 to £8,000, which is less than the cost of many stand-alone word processing units. But superior storage and management possible with Unicom mean that the productivity increase obtained is usually 50-100 per cent higher than that obtained with stand-alone machines, Logica asserts. More from the company at 84 Newman Street, London W1A 4SE. 01 680 8361.

## MACHINE TOOLS

### Selection of electric drives

MODERN SPINDLE and feed drive designs for machine tools increasingly tend towards an electric solution, either by permanent magnet dc motors or stepping motors for feed duties, or variable speed dc or ac motors for spindle drives. Machine Tool Industry Research Association will be holding a seminar on May 31 in Macclesfield, during which speakers from the Association and from industry will tell the audience how to select the appropriate electric drive so that designers and users can absorb the required criteria. Further from MTIRA, Hulle Road, Macclesfield, Cheshire. SK 10 TNE. 0625 35421.

## PRINTING

### Tiny batch counter unit

SMALL and simple a batch counter by Timsons offers many applications such as pack work for zig-zag folding to mark any number of sheets up to 99999, or sheet work in which the counter will indicate the batch. Designers have used solid-state electronics for reliability and have eliminated moving parts except for the switches and setting controls. It can be fitted to any press and measures only 100 x 210 x 220 mm. Timsons, Perfecta Works, Bath Road, Kettering, Northants.

**BESTOBELL**  
**MOBREY**  
ARE IN CONTROL  
Bestobell—an International Group

## RESEARCH

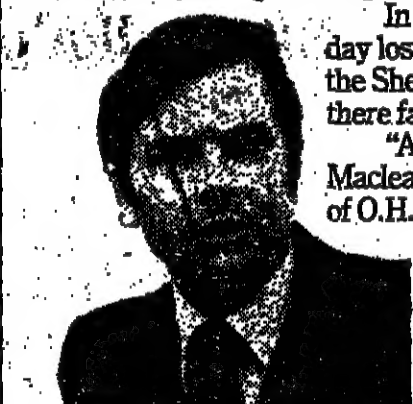
### Search for a better detector

FUNDED by the EEC, a contract has gone to J. and S. Siegler of Poole for work to provide an improved gas detection unit. It stems from the company's research into problems of catalytic poisoning of gas detectors in North Sea operations. It is essential to achieve reliability in such detectors and the company's objective in its three-year task, which will cost £250,000, will be to provide a detector system with enough sensitivity to detect the full range of hydrocarbon bases that constitute hazards on installations for gas and oil production. Work the company has already carried out includes the application of microreactors, electron microscopy and thermal analysis to the determination of the behaviour of about 100 catalyst/support combinations used in detecting hydrocarbon oxidation over a range of conditions. J. and S. Siegler, John Carpenter House, John Carpenter Street, London EC4. 01-353 6791.

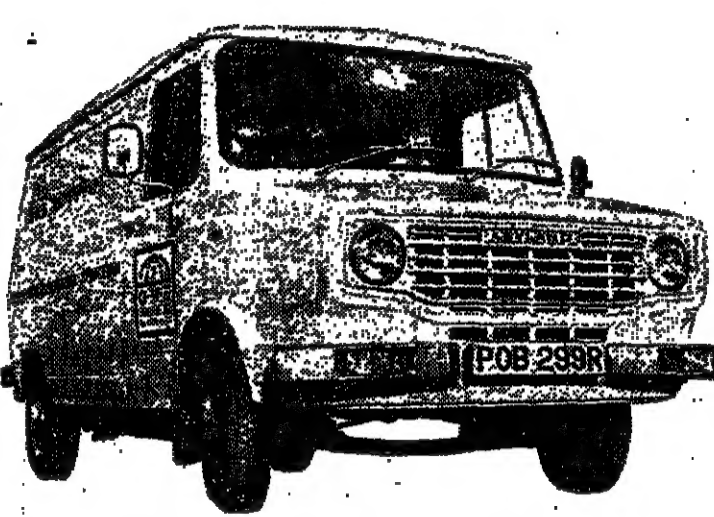
# "If a big Mack hits trouble out east we send a Sherpa to the rescue"

O.H.S. Transport of Rainham in Essex not only run the biggest fleet of Macks in Europe, they probably handle more tonnage per year than any other transporter in the Middle East.

Even big trucks, however, are not infallible. And when one of them broke down recently, O.H.S. sent their trusty Sherpa diesel van to the rescue, loaded with a big new engine no less.



I can tell you, we looked into a lot of alternative vans before we chose the Sherpa. The O.H.S. Sherpa has been on rescue



In this business, every day lost is profit lost, so the Sherpa had to get out there fast, and without fail. "After all," said Andrew MacLean, transport manager of O.H.S., "our motto is The Reliable One in International Trucking, so we can't afford to have a rescue van that will let us down. The system is driven by a DEC PDP8 digital processor, which controls all data fed into the system. More from Cable and Wireless, Mercury House, Theobalds Road, London WC1X 8RX. 01-242 4433 Ext. 2489.

Like all vehicles from Leyland Cars, it comes with Supercover.

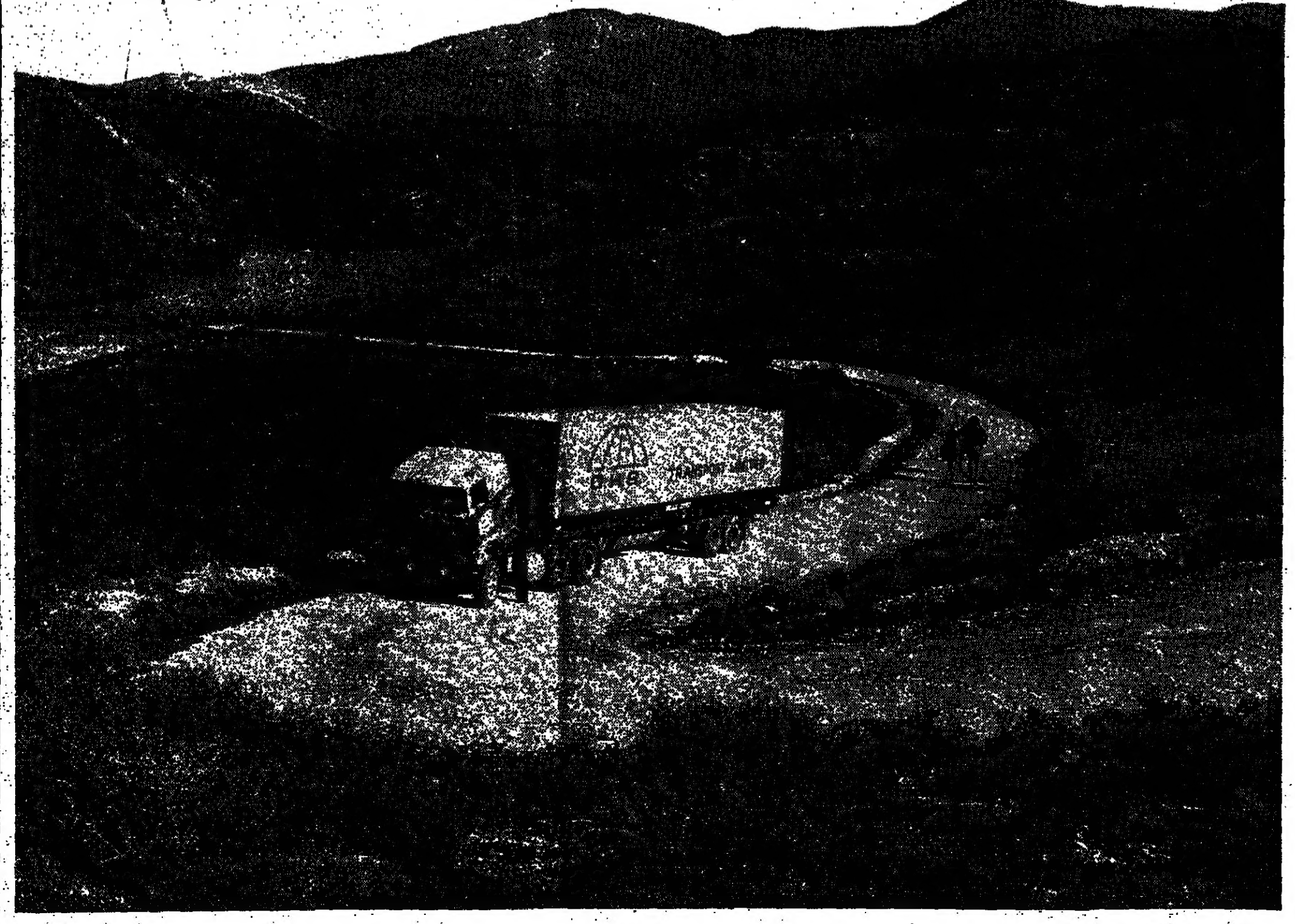
And that includes a year's free no-mileage limit with parts and labour; a year's 24-hour roadside assistance from the A.A.; a year's A.A. Relay Recovery Service (approved conversions and U.K. mainland only); a 69 point pre-sale checkout, and the opportunity of renewing it all for a second year.

Some warranty! The Sherpa body options include vans, mini-buses, crewbuses, chassis-cabs, and pick-ups. Engine options include a 1622cc and 1798cc petrol and 1798cc diesel. Overdrive is an optional extra on the 1798cc petrol and diesel.

For further information please visit your nearest dealer, or write to: Light Commercial Vehicle Sales, Leyland Cars, Grosvenor House, Prospect Hill, Redditch, Worcestershire, B97 4DQ.



It still carries Britain's best warranty. After all that, it's not surprising that no other van carries a warranty to rival the Sherpa's.



**NEED ELECTRIC POWER?**

Wilson Generating Sets are amongst the Best in the World

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All sizes from 5 Kva to 2000 Kva. Usually from stock in quantity.

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Telephone: Staines 50258/52764  
Telex: 933164S/74744S (Answerback Genset G)



# CONTRACTS AND TENDERS

## GOVERNMENT OF MAURITIUS

Ministry of Agriculture and Natural Resources  
and the Environment

**BULK SUGAR TERMINAL—PORT LOUIS  
SHIPLOADER**

CONTRACT No. 10

Tenders closing at 12.30 p.m. on Wednesday 24 May 1978 are invited for the following works for the Bulk Sugar Terminal at Port Louis, Mauritius, in accordance with the Drawings, Specifications and General Conditions of Contract for Contract No. 10.

This Contract is for the supply, fabrication complete including all structural, mechanical and electrical services, delivery, installation, testing and commissioning of one Travelling Shiploader capable of loading bulk raw sugar on a conveyor via a lattice boom telescopic crane and discharging into 40,000 dwt ships at an average rate of 140 tonnes per hour.

Drawings, Specifications and General Conditions of Contract may be examined at the offices of the Consulting Engineer, Macdonald, Wagner & Pringle Pty. Ltd., at Port Louis, Mauritius and at Town Offices, 25 W. Australia, and also at the Mauritius High Commission, 2033, Euston Road, London, E.W.1, England, and the Mauritius Embassy, 65 Boulevard de Charleville, 75017, Paris, France.

Seals of Drawings, Specifications and General Conditions of Contract for companies registered in Mauritius may be obtained from Macdonald, Wagner & Pringle Pty. Ltd., Robert's Automobile Building, Cor. Edith Carrell & More Bathurst Streets, Port Louis; and for companies registered in all other countries they may be obtained from Macdonald, Wagner & Pringle Pty. Ltd., 110 Miller Street, North Sydney, N.S.W. 2060, Australia—Telex 25 0088. The non-refundable charge for each set of documents obtained in Mauritius is 1400 Mauritian Rupees and 200 Australian Dollars in Australia.

Envelopes endorsed "Tender for Contract No. 10, Shiploader, Bulk Sugar Terminal—Port Louis" and containing a Tender accompanied by a Tender deposit are to be addressed to the Chairman, Tender Board, Ministry of Finance, Port Louis, Mauritius and lodged in the Tender Box at the Chief Cashier's Office, Accountant General's Division, Treasury Buildings, Port Louis, Mauritius, opened from 9 a.m. to 4 p.m. on the day of the closing of the Tender Board, Ministry of Finance, Port Louis, Mauritius on or before the closing time and date.

The Tender Board does not bind itself to accept the lowest or any tender and will not assign any reason for the rejection of a tender.

Ministry of Agriculture &  
Natural Resources & the Environment

## ANNOUNCEMENT

Appointment of a Management Contractor to  
The State Fertilizer Manufacturing Corporation of Sri Lanka

## INVITATION TO PRE-QUALIFY

The State Fertilizer Manufacturing Corporation (SFMC), an undertaking wholly-owned by the Government of Sri Lanka, are establishing an Ammonia/Urea Fertilizer Complex located close to Colombo. This complex which is internationally financed is being built by Kellogg Overseas Corporation, General Contractor to SFMC.

SFMC intend to select and appoint a Management Contractor who is to be fully responsible for the Operational Management of the plant for a period of two to three years from commissioning. Mechanical completion of the Plant is expected to be realised in early 1979.

OPERATING COMPANIES which own and/or operate similar plant facilities, and, MANAGEMENT CONTRACTORS having specialised experience in rendering such services are hereby invited to apply immediately for prequalification. Prescribed APPLICATION FORMS FOR PREQUALIFICATION are obtainable from:

- (i) SFMC, P.O. Box 1344, 21 Anderson Road Colombo 5, Sri Lanka
- (ii) Commercial Counsellors of Sri Lanka Embassies, and
- (iii) Scientific Design Co. Ltd. (SDCL), Bush House, Aldwych, London WC2B 4QB.

Completed APPLICATION FORMS FOR PREQUALIFICATION should reach SFMC on or before May 8th, 1978, marked for the attention of T. Rodrigo, Project Manager, with simultaneous copies to SDCL marked for the attention of D. J. Levy, Project Manager.

Chairman

STATE FERTILIZER MANUFACTURING CORPORATION

## Democratic and Popular Republic of Algeria

## Ministry for Industry and Energy

## ENTREPRISE NATIONALE SONATRACH

## Marketing Division

## Department Realisation Infrastructure

## International Invitation to Tender No. 3/77

SONATRACH is launching an international invitation to tender for the Engineering Study, the supply of equipment, the construction and starting into operation in HASSI-MESSAOUD, of a residential complex in semi-traditional or prefabricated industrial building which will include:

- Administrative offices
- Socio-cultural installations
- Installations for sporting activities
- A unit of 200 individual rooms for supervisory personnel
- A unit of 1,200 individual rooms for other staff
- Associated installations.

Interested companies may obtain the tender documents as from the publication date of the present announcement, against a payment of Dinars 200 (two hundred dinars), from:

SONATRACH — Division Commercialisation  
Direction Réalisation Infrastructure  
Route des Dunes—Base ALCP—  
CHERAG (Algiers) Algeria  
Tel. 81.09.67 to 76  
Telex: 52.808 — 52.292 — 52.293 —  
52.969 — 52.779.

Tenders, together with the relevant usual references, should be sent by registered mail in double sealed envelopes to Enterprise Nationale SONATRACH, at the above-mentioned address, the inside envelope clearly addressed as follows:

"A NE PAS OUVRIR—SOUMISSION—A.O.I. no. 3/77"  
not later than 31st May, 1978.

Tenders remain bound by their quotations for a period of 120 days.

Tenders which will not respect the above-mentioned indications will not be taken into consideration.

## Kingdom of Thailand

## NOTICE TO

## Civil Engineering Contractors

The Government of the Kingdom of Thailand has received a loan from the World Bank to help finance construction of three roads totalling about 140 km and expected to cost over US \$ 20 million equivalent. The construction will be divided into 3 contracts to be awarded in 1978 and 1979 and will include about six million cubic metres of earthworks, one million square metres of asphalt paving and six thousand linear metres of bridges.

Construction firms from member countries of the World Bank and Switzerland are invited to indicate their interest in prequalifying for bidding on the above works. Replies, by letter or cable, should be addressed to:

DIRECTOR GENERAL,  
DEPARTMENT OF HIGHWAYS,  
SRI AYUTHAYA ROAD,  
BANGKOK, THAILAND.

Replies should be received by 15th May, 1978 and questionnaires will then be sent for preparation of prequalification applications.

## CONTRACTS AND TENDERS

## APPEAR EVERY MONDAY

For further details contact:

FRANCIS PHILLIPS on 01-248 8000 Ext. 456

## CALL FOR TENDER



## EMIRATES & SUDAN INVESTMENT CO. LTD.

## TENDER FOR THE CONSTRUCTION OF 200 WAREHOUSES

(RED SEA REGION)

## PHASE ONE: 34 WAREHOUSES AT PORT SUDAN

1. The Chairman of the Board of Directors, Emirates & Sudan Investment Co. Ltd., invites Tenders from competent contractors for the construction of 34 "Thirty four" Warehouses complete at Port Sudan (D.R. of Sudan) as phase one from the total number above.
2. The Tender Documents "in English only" can be obtained from the office of the Managing Director of the Emirates & Sudan Investment Co. Ltd., 16 Babiker Bedri St., P.O. Box 7036, Khartoum, Telex 524 EMSU KM, Telegraphic Address: EMSU Khartoum, during office hours against payment of L.S.100 (one hundred Sudanese pounds) = £145 US\$290 non-refundable.
3. Tenders will be accepted for 4 warehouses as a unit and Tenderers should deposit a sum of L.S.4000 (Four Thousand Sudanese pounds) or its equivalent in other convertible currencies either by certified cheque or a letter of guarantee from a reputable bank valid for at least three months after the closing date as a preliminary deposit in the name of the Managing Director, Emirates & Sudan Investment Co. Ltd., for each unit. Tenderers for more than one unit should multiply their deposit accordingly. Separate offers per unit for lighting and fire systems may be added as option.
4. The successful Tenderer/Tenderers shall be asked to sign formal contract within two weeks after being notified of the acceptance in writing and to complete the deposit to 10% (ten per cent) of the total value of the contract either by a certified cheque or a letter of guarantee from a reputable bank valid for one year after handing over all works. Other forms of guarantee may be required for longer period. Any other plans for payment that may lead to the reduction of the cost could be proposed by the tenderers. If the contractor fails to sign the contract within the specified time, he shall lose his right to recover the preliminary deposit.
5. The preliminary deposit shall be refunded to the unsuccessful tenderers two weeks after the firm award of the contract.
6. Tenderers shall state clearly the following:—  
a) The names, qualifications, and experience of engineers and technicians who

will be responsible for the execution of the works.

- b) Examples of similar projects they have executed.
- c) A detailed programme specifying the progress of the works and the time required for the completion of all works specified in the tender and shown in the drawings, as from the date of the signature of the contract.
- d) A list of equipment and machinery in their possession necessary for execution of the works.
7. The supply of all materials, equipment and machinery whether local or imported necessary for the execution of all works is solely the responsibility of the Contractor.
8. Tenders shall be valid for at least three months after the closing date mentioned in para (12) below. The offer may be based on the detailed alternative or for an accepted alternative to be presented in detail to the Managing Director.
9. All information relevant to the tender shall be submitted in English Language.
10. For imported items, The Emirates & Sudan Investment Co. Ltd. will directly pay all insurance, clearance, customs and other Port charges.
11. Foreign Currency will be paid directly from The Emirates & Sudan Investment Co. Ltd. reserves with The National Bank Abu Dhabi.
12. Tenders should bear the prescribed stamp duty and should be addressed in sealed envelopes bearing the words (TENDER FOR THE CONSTRUCTION OF WAREHOUSES AT PORT SUDAN), to The Managing Director, Emirates & Sudan Investment Co. Ltd. and should be delivered to the Tenders Box at the Company's Head Office, 16 Babiker Bedri St., 3rd Floor, Khartoum, Sudan, not later than 12.00 Noon Sudan Time Tuesday the 20th of June 1978.
13. Any tender which does not comply with any of the above-mentioned requirements will be rejected.
14. The Chairman of the Board of Directors, Emirates & Sudan Investment Co. Ltd., is not bound to accept the lowest or any other tender.

# SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIAH HOUSING MUNICIPALITY

## ANNOUNCEMENT OF AN INTERNATIONAL TENDER FOR THE BUILDING PROJECT OF THE AL-MAHARI AL-JADID HOTEL IN TRIPOLI

The Committee for the Al-Mahari Al-Jadid Hotel building project in Tripoli publicly announces its invitation to international tenderers, national, general and stock companies, as well as international companies having hotel construction expertise in building 4 or more star hotels—and this shall be in accordance with the following terms:

1. The general conditions, specifications and drawings related to the project shall be obtained from the Headquarters of the Committee for Al-Mahari Al-Jadid Hotel at the Housing Municipality in Tripoli for the sum of 500 (five hundred) Libyan Dinars only, which shall be paid into the public funds at the offices of the Treasury in Tripoli.
2. The tender shall be in two parts:  
a) Construction and machinery  
b) Furnishings and equipment.  
The tender shall be offered for either one or both parts.
3. The company offering the tender shall send with its tender a vitae detailing its previous experience in such works, carried out either in the Libyan Jamahiriah or outside it.
4. The international companies participating in this tender must be represented by Public Agencies or Authorities from the National Sector or Companies of the Public Sector.  
An address at which the tenderer can be contacted shall be given and the contents of any correspondence with him shall be considered valid. In the event that the tenderer is an agent, he shall enclose with his tender a certified Power of Attorney from his Organisation, together with a listing of the rights and limitations of his agency; the names of the persons directly responsible for the execution of the terms of the Contract; the payments made and the receipts received and signed by the Company,

as well as specimen of signatures put to copies of both the Contract and the Power of Attorney.

5. An official copy of the Company's Contract of Establishment and Articles of Association shall be enclosed with the tender. These documents must meet all requirements and procedures stipulated by Law and the By-Laws.
6. A tenderer shall, by means of a Declaration to be enclosed with the tender, be bound to adhere to the terms of the Israeli Boycott, and in the event of violation of the Declaration the Committee shall have the right to cancel the Contract by sending a registered letter of cancellation. The tenderer shall be without right to demand compensation.
7. If the tenderer has previously carried out works in the Jamahiriah, the tenderer shall produce a certificate of taxes due to the Tax Authorities.
8. An initial deposit of the sum of 100,000 (one hundred thousand) Libyan Dinars shall be enclosed with the tender. This deposit shall be valid for a period of six months from the date of the opening of the envelopes, and shall be presented in one of the following forms:  
a) A bank draft certified by one of the banks operating in the Jamahiriah  
b) A letter of guarantee issued by one of the banks operating in the Jamahiriah—guaranteeing that the contractor shall maintain the same prices of his tender for a period of six months from the date of the opening of the envelopes.
9. In the event that the chosen tenderer does not sign the said Contract within two weeks of the date of his being notified officially of the acceptance of his tender, the deposit shall be retained.
10. Tenders shall be presented to the Committee for the Al-Mahari Al-Jadid Hotel at its Headquarters in the Housing Municipality in Tripoli

on a Tender Form stamped by the Municipality and signed by the Chairman of the Committee. The tender shall be handed into the Committee Treasurer, and a receipt shall be given in return. The tender shall be in a sealed envelope, sealed with red wax, and on it shall be written: Enclosed is the Tender for the Al-Mahari Al-Jadid Hotel Project.

11. The final date of acceptance of tenders shall be the 30th April 1978 and no tender for whatever reason presented thereafter shall be considered.
12. The tenderers may attend the procedure of the opening of the envelopes, which shall be at exactly 11 o'clock on the said date.
13. The accepted tenderer shall, within fifteen days from the date following the date of the letter sent to him by registered post notifying him of the acceptance of his tender, pay a deposit equivalent to 5% (five per cent) of the total value of the works he has been commissioned to do. He may also pay the remainder of the provisional deposit so that it equals the value of the required final payment. The Committee may, by sending a registered letter and without need for taking any further steps, cancel the Contract and retain the provisional deposit.
14. Any international company participating in this tender must be already registered in the Registry of International Contractors at the Housing Municipality in the Jamahiriah and this shall be observed in ample time before the procedure of the opening of the envelopes.
15. The Committee for the Al-Mahari Al-Jadid Hotel Tender shall have the right to either accept or reject any tender offered without giving any reasons for taking either decision.

Signed: The Committee for the Al-Mahari Al-Jadid Hotel Tender in Tripoli.

مكتبة الأمم المتحدة



# Building and Civil Engineering

## £6m. worth for Wimpey

NAMED after the first wife of Henry VIII, Katherine of Aragon, Peterborough Development Corporation's city centre office block, Aragon Court, will be built around a landscaped courtyard just north of Peterborough Cathedral. Because of its proximity to the Cathedral, the £2.2m. block, to be built by George Wimpey, is to have a particularly high standard of finish.

Wimpey has just started on a £2m. Leicester Road office block at the Rupert Estate at Epsom, Surrey, and a second contract for more than 800 people and it has also won a £1.6m. contract at Barking Dam, Kent, for the Northumbrian Water Authority.

## Monk is kept busy

VALUED AT over £3m, a contract has been placed with A. Monk and Company for the construction of a bus and truck track which will form part of the Technical Centre development at Leyland.

Projects in Milton Keynes and Lincolnshire valued together at over £1.9m. have also been awarded to the company.

Advance factory units at Stacey Bushes for Milton Keynes Development Corporation will be worth £1.5m. to Monk and a second contract for MKDC is for advance roads, sewers and underpass at Downs Barn.

The third contract is for two land drainage pumping stations at Dogdyke and Marsh Lane on the River Witham for the Witham District Internal Drainage Board to whom the consulting engineers, Brundell and Farran are responsible.

## Mucklow in the West Midlands

A. & J. MUCKLOW Group has planned ten new industrial estate developments in the West Midlands, which represent the company's biggest ever building programme. This will provide a further 1m. square foot of modern single storey factory and warehouse space to let.

Mucklow's "factory" units specially designed for small companies will be incorporated in all of the ten estates. The two largest developments at about 100,000 square foot each are the Wulfrun Trading Estate at Wolverhampton and the Aston Church Trading Estate, Salford, Birmingham. Both are being developed in conjunction with the British Rail Property Board.

The company is a property owner as well as a builder and its own main contractor, the project (including cost of land, etc.) will cost around £4m.

## Awards to Tilbury

TILBURY Construction, the building and civil engineering subsidiary of the Tilbury Construction Group, has received contracts totalling over £2.5m.

The Severn Trent Water Authority has committed over £1.1m. for extension of Kidlington sewerage works, and the renewal of a trunk combined sewer from The Quay to Belle Isle will cost Exeter City Council £288,000.

## Soviet order for Farmer

S. W. FARMER group is to supply about 2,000 tonnes of structural steel for the construction of two methanol plants in Russia at a cost of £1.3m.

Steelwork includes pipework and plant support structures at Tomsk and Gubaha where temperatures fall to minus 40 degrees Celsius necessitating the use of low temperature steel together with special welding techniques.

## Bovis/Tesco £2.3m. plans

TWO warehousing developments for Tesco stores are to be undertaken by Bovis Construction. Combined value of the contracts is £2.3m.

The larger of the two jobs is

## Homes-for-all scheme

The Humanist Housing Association has awarded a £1.1m. contract to M. J. Shanley (Contractors) for homes for residents ranging from the elderly to professional people, couples and students at Symonds Green, Stevenage.

Living permutations include units accommodating three people or couples who share a bathroom and kitchen but where each of the two main rooms—bedroom and lounge—can be converted into a bed-sitter for individual privacy.

A total of 125 dwellings in 15 blocks, all linked to the wardens' office and flat by an alarm/call system, each with gas-fired central heating, will be in a landscaped setting.

## Cubitts in Lancashire

NEW houses and flats at Rochdale, costing £16,000, are being built over the next year by Holland, Hannon and Cubitts (Northern). Rochdale borough architect, Derek Broadbent, has designed the scheme which involves 13 terraced houses and 26 flats in two-storey blocks together with exterior site works.

Liverpool City Council has contracted Cubitts to build six standard factory units, each with a floor area of about 2,100 square metres. This £238,000 contract is designed by the city architect and should be finished at the beginning of 1979.

## A library extension

THE NATIONAL Library of Wales in Aberystwyth has contracted Pochin, the Middlewich, Cheshire, construction group to build an extension at a cost of over £1.1m.

The existing two-storey library is a listed building and additional construction will be in Ruabon brick with a Westmorland slate roof to meet the approval of the Fine Arts Commission.

The finished library complex will comprise six storeys to house up to 1m. books with improved staff facilities and offices.

## Laing £2m. contracts

A LEISURE centre at Blyth, comprising a multi-purpose sports hall, four squash courts, weight training rooms and two gymnasiums, etc., will be built for around £1.5m. by Laing.

Middlesbrough architects Mallory and Riley have designed the centre, a two-storey steel-framed, brick-faced building, and consulting engineers are L. G. Blackburn and Rochdale.

## Keeping people cool

DELTA: New "Econoclim" evaporative units provide cooling without the high capital and running costs associated with air conditioning. They can deal with hot spots over machines, near ovens and in areas of high worker concentration. The effective temperature of the air is reduced by increasing its humidity.

Compactly designed for roof or wall mounting, with very low running costs and precisely maintained, the Econoclim is of

simple construction and has quiet operation.

Water is fed in closed circuit to distribution channels with gravity feed humidification mats and return unevaporated water to a sump integral with the unit. Water consumption for a unit cooling 8,250 cubic feet per minute of air to 65 degrees F from 72 degrees is 6 gallons/hour.

Six models are available giving air flows from 1,000-30,000 cfm. Delta Neu, Newby Road, Stockport, Cheshire. 061-465 5511.

## Bridge paint cost cut

INCREASING use of the box girder principle in bridge construction focuses attention on an investigation of internal corrosion in the boxes from which the structures are built up, now being carried out by Avon County Highways Authority.

Two different methods of reducing humidity are under investigation in the structure of the Avonmouth Bridge, which carries the M5 to link the Midlands with the West Country. Key to the investigation is the use of a Clearspan recorder from Foster Cambridge (George Kent), which provides six channels of data to extract various aspects of the performance of the methods under examination.

In box girder construction, the boxes can be sealed and dehumidified to prevent rusting, though safety valves must be provided to allow for internal over-pressure in hot weather.

Two of the sections at Avonmouth have been sealed and independently treated and equipped with appropriate sensors connected to the Foster equipment, housed in an access chamber on the bridge between the units.

The recorder gives a continuous report of temperature and humidity in each section. The work is expected to be finished in about six months.

Results will be important because the method could permit the maintenance costs of such bridges to be reduced very considerably if preliminary treatment, followed by sealing off, could reduce repainting frequency by a factor of three or four, remembering that opera-



Vetting chamber on the Avon bridge to watch internal corrosion.

tions such as these need a lot of starts all over again when the workmen can be particularly unpleasant.

In older designs, such as that of the Forth cantilever bridge, sealed boxes dry has been to use a desiccant such as silica gel. It is placed in one pan of a simple balance and as it absorbs water, the arm on that side tends to drop. Indication of how much moisture has been absorbed and to see since the team starts at one end, goes to the other and be replaced is immediate.

## New work and a return visit

THE CROWN Estate Commissioners have chosen J. Jarvis to modernise Swinley House, Redhill Street, London, N.W.1, at a cost of £2m.

The block of 85 flats and maisonettes will now provide 62 dwellings with modern kitchens, bathrooms and gas-fired central heating.

Another job for Jarvis is the construction of workshops and stores for the Essex Water Company in South Street, Romford, Essex. This is part of a long term development scheme.

A third job for the company is at the James Burroughs distillery complex in Montford Place, London, S.E.11. This involves a linking bridge between Beefeater House and the adjacent terrace at Kennington Lane which Jarvis built in 1970 and modernised in 1974.

## Pumps the sewage efficiently

CLAIMED as the latest concept in sewerage design is a range of Pumpex fully prefabricated sewage pumping stations introduced to the U.K. by Sykes Pumps, Charlton, London SE7.

The stations are available in three basic sizes, having diameters of 1.1, 3 and 2.5 metres, and rated capacities of up to 1,000 gal./min.

Each station consists of a leak-proof tank constructed of glass fibre reinforced polyester; it is delivered on site with pumps, pipework, valves, ladder and control system. It is then bolted to a concrete base which has been suitably prepared at the bottom of the excavation and connected to the inlet and discharge sides of the pumping main.

All that is necessary to complete the installation is to backfill the excavated area and connect with the power supply.

The heights of the stations vary from 2.2 to 5.2 metres to provide effective sump volume and meet design depths of mains. They may be supplied with or without platforms; for models with platforms optional equipment included stainless steel wash-basin, water heater, lighting, flush water hose and electric radiator.

Each station has a steel plate cast into its base for the attachment of pump volutes and incorporates a guide system for easy removal of the motor units when necessary. Switchboards and panels with starting control units for one or two pumps are supplied as standard or to customer requirements. In the case of two-pump installations, the pumps are arranged to alternate automatically between duty and standby functions.

## Workhouses to homes

FOLLOWING THE demolition of Dudley House (originally workhouses and subsequently offices for the Department of the Environment) in Endell Street, London, W.C.1, the London Borough of Camden has contracted H. Fairweather and Co. of Potters Bar to construct 90 flats.

Facilities associated with the Oasis swimming pool will be constructed—slipper bath, showers, rooms, offices, plus three shops. There will be 23 flats above for elderly people with living rooms overlooking Endell Street. The rest of the development comprises four blocks in which the remaining flats will be built.

Yellow London stock brick infill will be used for the construction and heating will be fully gas fired.

## Grainsheds in Sudan

CONSULTING engineers Sir M. MacDonald and Partners have signed an agreement with the Sudanese Ministry of Construction and Public Works for the provision of design and construction services for six large grain storage sheds which are to be built in various parts of the Sudan.

The steel-framed buildings, the four largest of which will have a cubic capacity below the eaves of well over 25,000 cubic metres are to be supplied by Conder Exports of Winchester, Hants.

### IN BRIEF

● Foster Gunn International has received contracts for living, dining, kitchen and clinic complexes totalling 2,000,000. They include three overseas orders, the largest at £220,000 being for 25 two-men living units plus other facilities for Streets at Riyadh in Saudi Arabia. The company is also building three 600-men canteen complexes for Mobil Oil at its Coryton, Essex refinery.

● Two firms of consulting engineers, J. D. and D. M. Watson and T. and C. Hawley, have amalgamated and are to be known as Watson Hawley. The new firm will be based at Watson's High Wycombe, Buckinghamshire, offices.

### APPOINTMENTS

#### CIVIL ENGINEERING MARKETING MANAGER UNITED KINGDOM

We are looking for an experienced and commercially minded Civil Engineer with an established record of success in initiating and developing project opportunities in the U.K. Civil Engineering market (principally marine and tunnel projects).

The successful man or woman will have established contacts both in governmental and commercial organisations and will be required to search for and develop new work potential.

This is a senior post and an attractive salary and other benefits will be negotiable.

Written applications to be made to: Personnel Officer, Mowlem (Civil Engineering) Limited, Westgate House, Ealing Road, Brentford, Middlesex TW8 0QZ.

**Mowlem**  
mum

### COMPANY NOTICES

NOTICE OF RATE OF INTEREST  
U.S. \$25,000,000  
BEARER DEPOSITARY RECEIPTS  
Representing interests in a  
FLOATING RATE CERTIFICATE OF  
DEPOSIT DUE 1983  
to be issued by

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(A Venezuelan Corporation)

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# The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

PRODUCTIVITY schemes introduced by companies in the seven months since they were given the go-ahead by the Government have tended to bear little resemblance to their predecessors of the late 1960s. This is the view of several of the members of the Management Consultants Association who are particularly active in industrial relations and productivity.

For a start, the members— including Bimber Hamlyn Fry, Inbucan, P.E. Consultants, Thornton Baker Associates and AIC— insist that, in spite of widespread scepticism in the contrary, there are probably few sham deals these days: or at any rate intentionally sham deals. They also say that a much higher percentage of agreements cover all employees instead of being limited only to production line workers, a development which is a factor in fewer deals being based on traditional work study standards.

At the same time most companies are putting a ceiling on productivity payments of about 10 per cent of basic pay. This is in order to avoid too much attention from the Department of Employment, which is scrutinising some schemes— particularly those in the public sector— with a veritable magnifying glass. The department can inspect any agreement, either when it is introduced or later.

Another significant influence on the shape of the latest round of productivity deals is that the Government demands that they be self-financing. Thus, while MCA members say that there are undoubtedly some phoney deals around— one large company is said to be giving its people a 2.5 per cent bonus in return for keeping to the times laid down in their contracts— there are not many.

While the Department of Employment is scrutinising some bonus schemes very closely, the MCA members have found that a large number of agreements are going ahead without being looked at because the Department does not have the resources to look at them all.

The consultants say the department is taking a much

## Breeding a new type of productivity deal

stricter line with the public number of productivity deals in a company. Some of the sector than with the private cover all employees, including consultants even suggest that there almost seems to be a style time and motion studies fit to be had from an agreement— more valuable than a slight improvement in performance.

One of the obvious dangers attached to any self-financing productivity deal is that industrial relations may deteriorate sales minus the cost of raw

Many companies are now embracing all their employees in productivity deals. This contrasts with the practice of the late 1960s. Sue Cameron reports

in management consultants for help and advice.

What has given association members particular cause for concern is the number of companies— in all industries— have sketched out productivity agreements that are not actually self-financing. They lay most of the blame for this on the speed with which the government introduced its productivity scheme last summer. They say that if industry had been given more notice, there would have been fewer hastily thought out agreements needing drastic revision before they could be put into practice.

MCA members point out that one of the problems in planning productivity agreements to-day is the lead time many of them require. In the good old days— as far back as the 1930s— productivity deals were normally organised by a company's works director, who could afford to spend six or nine months studying basic work standards. Such a delay would not be tolerated by most employees these days.

The majority of old-style agreements also applied only to blue collar workers, and most work standards were based on the time it took to perform a particular production line task. But to-day an increasing

materials and bought-in services. And it is the finance people who usually play the chief part in drawing up and administering productivity deals.

Yet there are still difficulties particularly if an agreement has been drafted too quickly.

For instance, an agreement based on added value may require long references back in time in order to arrive at a sound baseline. This is particularly necessary in cyclical industries, such as shipbuilding, where there are well defined peaks and troughs. Yet the consultants have found a number of concerns that have not gone back far enough. Sometimes because changes within the company made it virtually impossible to work out relevant added value figures; sometimes because the need for long references had not been fully appreciated.

The MCA members stress that productivity schemes— especially those based on added value— require a high degree of open management (basically, this means ensuring that everyone knows what is going on) if they are to be successful. They say that when this is forthcoming a productivity deal can do much to improve communications and relationships with-

rapidly if performance falls, and there is no bonus that month for employees. This is particularly the case if the drop in performance is the result of market conditions beyond the control of a company's management or its line workers. The consultants suggest that such a situation can be much eased by good in-house communications.

They also say that reactions among employees to non-payment of a bonus may vary; for example, in some cases a slight downturn can act as an incentive to greater effort and improved efficiency, while in others it could lead to unrest. On the whole, though, MCA members have found that employees are prepared to accept the realities of a drop in performance.

The consultants maintain that it is important for any productivity scheme to be applied to a fairly small group of workers— not more than, say, 500. This is because an agreement that is applied in blanket fashion to all the employees in a large company is likely to make an individual feel that his or her personal contribution does not count for much. The whole thing becomes too remote. As a consequence

people are less likely to accept non-payment.

The MCA members suggest that in big concerns it is possible to divide workers into smaller groups for the purposes of productivity schemes. They cited one concern which had no fewer than six separate agreements operating within one factory.

It is thought that a factor behind so many companies adopting self-financing productivity deals is their concern about keeping skilled workers. The consultants say that if one company on, say, an industrial estate, decides to bring in a productivity agreement, it becomes very hard for their neighbours not to follow suit— especially if they are in the same or a similar line of business.

Although most companies are limiting their productivity payments to between 5 and 10 per cent, the MCA has come across a few organisations which are planning to give employees bonuses of up to 20 per cent. To offer a high percentage is to invite inspection by the Department of Employment, and it would follow that companies which do so must be confident of their ability to improve performance considerably in order to finance the payments.

This raises the question of why managements have not made greater efforts before now to improve company performance. It would seem that some of them must have had considerable leeway for doing so.

The consultants say that the Government's scheme has acted as a stimulus to many organisations to look for new ways of improving performance. They add that companies now are looking to their use of materials, work in progress and stocks to boost productivity, rather than a speeding up of the time taken to do a particular line task.

Yet the MCA members also admit that if companies had to bring in fresh productivity deals every year in order to pay employees more than was laid down by government guidelines, they would find new ways of improving performance. There would also be a substantial growth in the number of bogus agreements.

## Rare honour for a product

BY HILARY BARNES IN COPENHAGEN

"COMPOSED of the most repulsive choice of wood— and plastered with brass— and plastic, it makes one sick to see so much lack of inspiration gathered in one place," a Danish critic commented on Danish radio design in the 1950s. Since then things have come a long way. On April 14 the Museum of Modern Art, in New York, opens an industrial design exhibition devoted exclusively to the products of Bang and Olufsen, the Danish television and audio equipment manufacturer.

It is the first time since 1952 that the museum has deemed it worth holding an exhibition for one company; on that occasion, too, it was a European company which was honoured: Olivetti.

The museum, which has a number of B and O items in its permanent collection, first had the idea for the coming B and O exhibition when representatives saw an exhibition of its products in Copenhagen in 1976. They were impressed with what they saw, but only went ahead with the New York show

when they were convinced that the actual performance of the products lived up to the design standards, according to Mr. Joergen Palshøj, B and O Communications Director.

B and O's successful product philosophy was developed at the beginning of the 1960s, when the trading barriers between the European countries came down. The company realised then that it would have to concentrate on products for the expensive end of the market in order to survive among the large international manufacturers.

The first product to emerge from attempts to achieve a new harmony between advanced technology and design was the Beomaster 900 receiver, designed by Henning Molden. This model was later imitated by other European companies.

B and O people maintain that they are not designing for the sake of design: they are seeking a marriage of design and technology. "The purpose of design is always the same: it is to combine ideas, function and sequences of the exhibition.

B and O is a small company in international terms. The 1976 turnover was Dkr.663m. (£80m.) and it has 3,100 employees. On the audio side it makes all the units required for producing— sound pick-up cartridges, turntables, receivers and loudspeakers, which are all incorporated into a single design system.

About 60 per cent of the sales are for export. The U.K. is the largest export market, and the U.S. second. B and O set up a distribution company in the U.S. in 1970 and is now represented there by 300 agents. This was an important consideration for the Museum of Modern Art. Their only other condition— apart from technical quality— was that they did not have to cope with the commercial consequences of the exhibition.

### EXECUTIVE HEALTH

## The biter bit

BY DR. DAVID CARRICK

DOCTORS are not supposed to be ill. They are expected to be immune from any complaints from which their patients may suffer. Sometimes, however, they are actually stricken by some malady.

When this happens the event provokes interesting reactions from patients. Those who happen to be temporarily fit, obtain a quaint sense of triumph, and frequently make that maddening comment: "physician— heal thyself"; suffering patients, who wish his services, are filled with a bewildered sense of resentment: many, however, having recovered from the shock of learning the impossible, express great concern and sympathy, and they make up for all the others.

Last August I was suddenly stricken with severe pain due to a kidney stone trying to make its way down the ureter. The attack happened to occur while I was carrying out a full medical examination on a man who must have thought that I was rehearsing for the role of Quasimodo as I was bent double most of the time. The pain becoming intolerable, there was nothing for it but to allow myself to be taken to my own teaching hospital, where I was admitted.

Before continuing, it is necessary to explain something of what is known about kidney stones. They are made up of various materials— often having very sharp spikes— but the reason for their formation is not very well understood. It is not surprising, perhaps, that an unusually large number of cases occurred about a year after the amazing summer of 1976. When one is very hot and sweats profusely, and the lost fluid is not replaced, the body demonstrates its jealousy of any fluid available. Thus it will rob the bowel (leading to constipation) and the kidneys. Such urine as is left is highly concentrated and may lead to a conglomeration of various salts which form a stone. When this begins to move into the ureter, very severe pain will be felt in the back and on the relevant side of the abdomen.

Treatment has changed little since the days of Hippocrates. The patient has to drink huge quantities of fluids, which makes the very thought of



orange squash repulsive for life, hospital, that they do in and also ensures that one is hopping out of bed day and night. Also, of course, fairly powerful analgesics have to be used.

Now it is said that doctors are bad patients. In a way this is true. One of the main problems is that the sick medical knows all the questions and the answers expected; and, in an attempt not to mislead, he indeed misleads. Bad or good patients, doctors suffer certain disadvantages. Very often the young houseman or woman has been qualified but a few weeks and is nervous and embarrassed by the situation. Again, it is well known that, if anything is going to go wrong, it will happen to a doctor or nurse as a patient, which provokes an underlying sense of apprehension in the senior doctors.

Lastly, if one is in a public ward (and Bart's has never had private wards throughout its 855 years of existence)— it is essential to avoid letting other patients know what you are.

### Pretty nurses

It was interesting to me to note changes that have taken place since I was a student-patient 25 years ago. The nurses are as excellent and as pretty as ever. The sisters are much younger as, thanks to the Salmon Report, no good nurse wishing a salary increase can continue nursing but has to become an administrator. Then there is the astonishing increase in the number of lay administrators and technical staff, far outnumbering the nurses or doctors: a change that can be of no value to the wretched patient who is but a number.

I noticed other disquieting changes. Student nurses spend less time in their teaching

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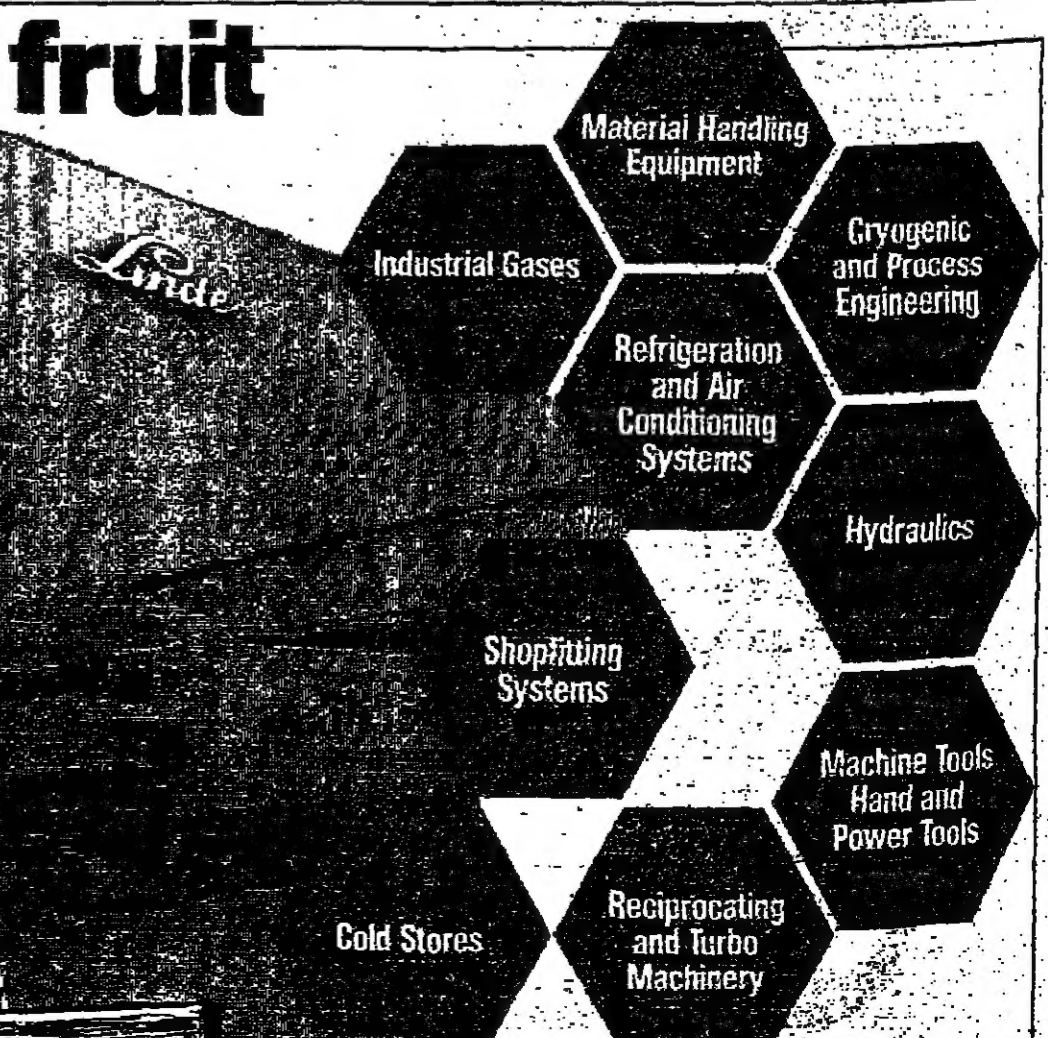


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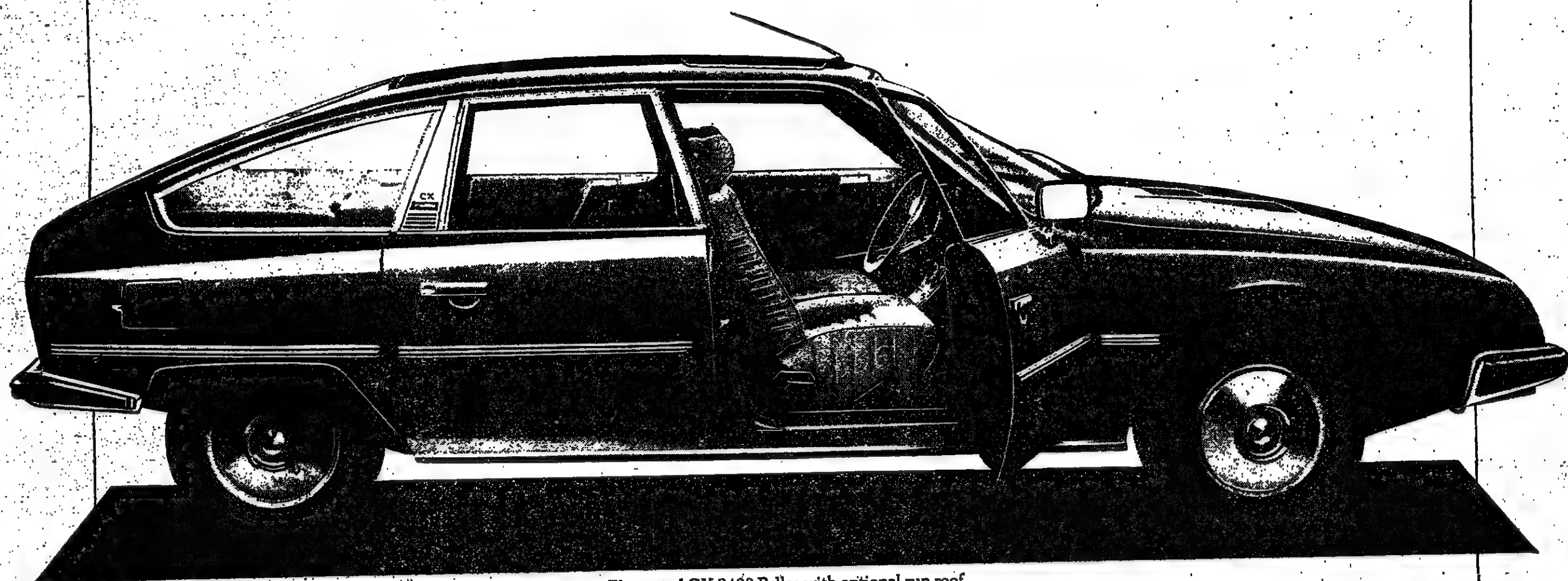
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## CITROËN CX. A WORLD OF COMFORT.

CITROËN CX



# Mr. Benn as a conservative

BY ANTHONY HARRIS

DR. DICKSON MABON, something of a Labour right winger, wants as much of it as fast as possible. Mr. Wedgwood Benn, I gather, is rather more inclined to leave it in the ground. Since market economy enthusiasts are inclined to argue that North Sea oil can perfectly well be exchanged for other assets whose energy needs, while the economy is small, is a beautiful thing, it is tempting to say that the North Sea makes left-wingers conservative and right-wingers liberal; but it is not quite as simple as that. The Prime Minister seems to have a slow depletion, as do some Tories. So, as it happens, do I.

## Argument

The strongest argument, I think, for having less oil is that it is so soon as possible to get it. It is the balance of payments constraint which may otherwise cramp our growth rate to a lower level, but that means treating the oil as income, and only makes sense if you believe that a pronounced burst of slightly faster growth will of itself work some economic miracle which we have previously missed. If it fails, we are left looking uncomely silly.

The rather more provident effort to use oil revenues to buy other overseas assets—in other words, plan for a large balance of payments surplus—seems to me to use the oil for a rather minimal and risky benefit. The balance of payments constraint is reimposed as a matter of oil policy, so slow as it is, it is almost as slow as if we had never found it. It is just an alchemy to turn oil into paper.

The trouble with this approach is that there is no guarantee that the earnings of this paper will in fact buy the energy we need. The relative price may change. The best insurance against this risk, quite apart from the strategic risk of dependence on oil, is either to keep the oil in the ground, or at least to ensure that as it is depleted, it is replaced with substitute energy sources.

This energy substitution priority seems now to be pretty generally accepted among politicians and laymen, and I suspect that they are thinking more clearly than the economists. It is very useful in statistics and macro-modelling to treat "resources" and "output" as mere

## Too fast

The sad thing is that although the arguments for a relatively prudent depletion policy are at last beginning to attract some political attention—Mr. Wedgwood Benn, perhaps, is impressed with the technical side of the case, and the Prime Minister with the political risks of allowing his colleagues too much money in a rush—the issue is largely academic for some time to come. The terms on which existing exploration has been done, such as the production recovery of capital that production is likely to shoot past self-sufficiency for a time whatever word for this is "momentum". I prefer the word "mistake". There is still a good deal of real estate to explore, and we need not do it again.

# Ombudsman's clout

THE PARLIAMENTARY Commissioner for Administration (the Ombudsman) is fast becoming the natural alternative to the courts of law or administrative tribunals for the citizen in search of his remedy for the wrongs committed by central Government departments. The Ombudsman's jurisdiction is broad, covering the Government level, the Commissioners for Local Government are flexing their muscles against some local authorities, particularly in the field of child care and education.

Since the establishment of the Ombudsman, the three holders of that office (all retired civil servants of distinction) have investigated complaints of maladministration by most Government departments with an assiduousness that once was expected only in the cases where the complaint was upheld, the errors uncovered invariably derived from inordinate delay, inefficiency and bureaucratic muddle.

In the vast majority of the cases the administrators have been exonerated, a fact that has not been lost on the Civil Service, which on the whole has welcomed the advent of an outside, independent investigator into their dealings with the public.

The latest report of Sir Iddow Pugh is, however, altogether in a different category. His investigation of the Department of Health and Social Security is unusually strident in tone. The department is found to have acted "unreasonably", "not frankly" and "deceitfully".

The case concerned an unnamed, wounded, colonel who retired from the Army in 1948 and who has spent the last 30 years in a ceaseless battle to obtain his full pension rights. The colonel and 24 other war pensioners who were receiving no retired pay should have received a regular payment reflecting their rank, but persistent delay did not.

In 1964, the department acknowledged that it had been wrong to withhold payments. Even when the ministry finally agreed to pay the colonel his arrears, it refused to pay the interest. Contrary to legal advice that it received, the ministry did not offer to make good the error in all cases. Undaunted and disatisfied with the ultimate, grudging acceptance by the department of the errors of its ways, the colonel continued his campaign. But the ministry officials were given instructions not to correct any underpaid pensions unless pensioners themselves complained. Three years ago the Ombudsman took up the colonel's case, and immediately the department agreed to pay all the arrears, together with compensation for the delay, amounting to about

£1,000. The department found itself in a similar case in its files. The Ombudsman was, not surprisingly, seething about the department's behaviour. He said the old Ministry of Pensions acted improperly in deliberately choosing not to take steps to ensure that all the pensioners affected by the error received their full entitlement. For 13 years the ministry had acted "so as to disguise what they were doing by a disingenuous choice of words."

The report concludes that it is deplorable that a Government department should deceitfully withhold a significant proportion of the rights and resources to which a group of pensioners were entitled by virtue of the rank they had earned in the armed forces. This forthright criticism has been accepted by Mr. David Ennals, the present Minister.

The Ombudsman now professes himself satisfied that he has adequate assurance that the remedy has been achieved without resort to the courts.

## Successful

One can only speculate what the result would have been had the colonel chosen to take his case through the courts. The ability of the Ombudsman to inspect department files is far more efficacious than the powers of the courts to order discovery of documents.

One could then envisage the colonel claiming Crown privilege for some at least of the documents in his possession. And even if the colonel had been ultimately successful (with the attendant risks that he might be liable for legal costs if he lost his case), that would not have done anything directly for the other 24 pensioners whose cases were buried in the bureaucratic jungle.

This example of the powers of the Ombudsman to extract complete answers from government administration will add grist to the mill of the Commons Select Committee which has just announced that it is conducting an inquiry into demands for extending the Ombudsman's jurisdiction to the Home Office.

It will also look at the areas of public administration which become susceptible to investigation. The Select Committee's report is expected to come before the Commons next week, and in a run-up to a general election, will pose problems for both Government and Opposition, vying with each other to demonstrate concern for the rights of the individual.

Two solutions which would solve the problem present themselves.

# Spring in Deep Sea top choice for Guineas classic

AN HOUR after Lucius Sebastian, V. Drummond and Colishall had fought out the closest finish to a Grand National in years, Spring in Deep Sea was stamping herself as a Guineas prospect at Newmarket.

The only filly in the transferred Ascot 1,000 Guineas Trial line-up to catch the eye in the paddock, Spring in Deep Sea's domination of the race was even more complete in the race.

Ridden with tremendous confidence by Greville Starkey, who had warned me a few hours before the race that she might well be in need of the oxygens and would improve considerably for it, Spring in Deep Sea forged into the lead two furlongs from home. From then it was simply a question of by how far she would win and who would be second.

Showing no signs of stopping on the deceptively stiff climb to the finish, Luca Cuman's filly passed the post ten lengths ahead of Lester Piggott's Irish mount, Miss Kildare, who had the third in both the Irish Guineas Oaks and the Yorkshire Oaks. Spring in Deep Sea has even had such a standard field to deal with, the fact is that Spring in Deep Sea did all that was asked of her in tremendous style.

As a filly by that highly successful American stallion, Captain's Gig, out of Ararak, the third in both the Irish Guineas Oaks and the Yorkshire Oaks, Spring in Deep Sea has no difficulty in getting a mile at Newmarket irrespective of the going. She should also see out the extra half mile at Epsom should she challenge for

the Oaks. She is now top quoted at 2-1 for the 1,000 Guineas, a price that may soon shrink. If any young trainer is particularly deserving of a British classic success this year it is surely Luca Cuman, for he has had several near misses in recent seasons. Notably with Kona and Freese the Secret.

With Turbleshadowed a last minute absentee from the Oaks Trial after he had coughed a couple of times on the way to the post, the race fell somewhat in terms of a realistic 2,000 Guineas trial.

I shall be more than surprised if either Derrilyn, the winner, or Newski, the second, who fought out a close finish, prove capable of winning more than a Group Three race. Let alone a classic.

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## New style in France

PRESIDENT Giscard d'Estaing of France has taken advantage of his position as the only clear victor in last month's General Election to make two distinct breaks with the traditions of the Fifth Republic. In the first place he has held a series of meetings at the Elysee Palace, not only with leaders of the parties which have hitherto supported the Centre-Right Government in Parliament but also with leaders of the Left-wing parties and of the trade unions. In the second place, he has re-appointed the outgoing Prime Minister Raymond Barre, to head the new Government which will be formed this week.

By both these actions, the President has sought to underline his aspiration to set a new style in French politics, a style which he believes corresponds with the desire of ordinary Frenchmen to be governed from the centre.

Yet it seems unlikely that the new Government will implement policies very different from those of its predecessor or that his ambition to introduce a new vocabulary of dialogue into the French political arena will meet with a very enthusiastic response, either from the Left or the Right.

## Centre-Left

The President was victorious not just because the Socialist and Communist parties failed by a wide margin, despite all the pre-election forecasts, to secure an absolute majority of seats in the National Assembly, but primarily because the group of centre parties claiming some allegiance to the President, under the generic title Union for French Democracy (UDF), did much better than expected, holding for the first time a share of seats in the National Assembly comparable to that of the Gaullists.

But while the Parliamentary arithmetic now opens up the theoretical possibility of a Centre-Left alliance, it seems unlikely that the French political scene will witness any such far-reaching change in the immediate future.

There is little prospect that the Socialist and Communist parties will heal their rift, rather than strike action, to the General Election by a divorce over their common programme. But the Left-wing Socialists strongly opposed to any further shift to the Right and, since they account for about a quarter of the party's membership, they can probably

prevent such a shift from taking place. Moreover, the party leader, Francois Mitterrand, almost certainly counts on standing again in the presidency in 1981, and he can only hope to do so against Giscard d'Estaing as the representative of the French Left.

This does not mean, however, that the President will find it easy to govern with the traditional alliance between the Centre-Right and the Gaullists, despite their substantial Parliamentary majority.

Jacques Chirac, the aggressive leader of the Gaullist party, is, in itself, likely to be a contender in the 1981 presidential election, and he can be counted on to use his influence to distinguish his views from those of President Giscard d'Estaing.

## Union reaction

The President's attempts to break down the rigid divisions between Government and Opposition party leaders may at some future stage act as a check on the independence of the Gaullists. For the time being, though, the President's chief leverage depends on the fact that the Centre-Right and the Gaullists have no alternative but to stick together on the main issues.

Raymond Barre has been re-appointed as Prime Minister primarily, no doubt, because his economic policies have gone some way to reduce inflation and because the President wants to continue the policy of economic restraint for at least another year.

But his political significance in the present contest is that he is not exclusively identified with any political party and his re-appointment protects the President from having to choose between the contending leaders of the Gaullist and Centre-Right parties.

Before the election there were fears that, if the Left were defeated, the unions might seek to gain through industrial action what had not been gained in Parliament. This danger seems to have receded. The leader of the traditionally militant CFDT union is now talking of rather more moderate wage increases than those advocated in the Left-wing programme and in terms which seek to gain through industrial action what had not been gained in Parliament.

The President has now some grounds to change his own programme. But the Left-wing Socialists strongly opposed to any further shift to the Right and, since they account for about a quarter of the party's membership, they can probably

## Working for the council

THE RUNAWAY growth in the number of people employed by local authorities has been one of the headline news items of the year—but the question remains whether this is a temporary pause or a permanent end to what had become the most outstanding example of the wasteful use of manpower in this country. Until now it has been possible to cast doubt on the figures suggesting that the growth has been stopped, for there is a great deal of statistical construction in the official estimates, but after 15 months of what is described as a "downward trend" it does seem reasonable to accept that there has at least been a levelling-off.

Since the days of heavy criticism of local authority employment practices the Government has supervised a "joint manpower watch" that is intended to bring together the total pay-rolls of all the councils in England and Wales. According to the latest report from this "watch" service, there has been a reduction in the number of persons employed for six successive quarters, starting with "the downward trend first recorded in the September 1976 figures." This is compared with an annual growth rate of around 4 per cent. between 1971 and 1975.

## Difficulty

The principal difficulty about these figures is that different methods are used to translate part-time workers into "whole-time equivalents." For example, in the quarter ending last December the number of part-time lecturers and teachers increased by 50,176, but this figure has been multiplied by 0.11 to produce a mere 5,519 "full time equivalents." For teachers not in higher education the magic figure is 0.53; for manual workers it is 0.41. It is also true that some changes in employment are seasonal; for example those extra authorities which have once again got

THE FASTEST-growing sector of the British economy in the past few years has been the tax avoidance industry. But it has become too successful for its own good. And there is now a strong possibility of the Government introducing legislation in the Finance Bill to try to put an end to avoidance once and for all.

One does not have to look far to find the reason for the popularity of tax avoidance schemes. Top marginal tax rates of 63 per cent. on earned and 98 per cent. on unearned income mean there is every incentive for the rich to use them.

To meet the demand, an organised industry—dominated by about six main companies—has developed, dedicated to selling ready-made schemes. Some of these wriggle through the small print of the tax laws, others bring individuals into fields of activity they would not normally have entered.

Recently a senior Inland Revenue official said that the cost to the Exchequer of these schemes could be measured not in tens of millions of pounds, but hundreds of millions.

There are fears that unless something is done to put a stop to them the problem will become uncontrollable. Without action the basis of the U.K. tax structure could be undermined within a few years.

The process of closing loopholes has made tax legislation so complex that it cannot now be understood by the more junior Inland Revenue staff, let alone the public. The tax system itself is in danger, becoming increasingly incomprehensible while the avoidance industry threatens to blur out of existence the key theoretical distinction between capital and income.

Mr. Joel Barnett, Chief Secretary to the Treasury, gave a broad hint in Parliament last December that the authorities were contemplating tackling the problem of avoidance at its source by making legislation against specific schemes retrospective.

In a Parliamentary written answer Mr. Barnett said that legislation would be introduced in the Finance Bill to ban a certain avoidance scheme. He added that the Chancellor "will be considering from what date legislation against a claim to loss relief contrived in this kind of way should be effective."

In the past legislation has been effective from the date of such announcements, giving, in effect, fair warning to the industry that the time has come to stop marketing a scheme.

The implication of Mr. Barnett's words is that in future legislation could be retrospective; catching schemes which were within the law when they were operated.

If the Government showed

that it was prepared to use retrospective legislation against organised tax avoidance in this way the industry would be able to operate, when the cards were stacked so much in the Government's favour that it could render invalid any successful scheme at will.

Nevertheless, there are strong arguments against using the weapon of retrospective legislation. Such legislation has not been used for 28 years and would be bound to cause a political uproar—as it did in the debate over Sir Stafford Cripps' 1950 Finance Bill.

The avoidance industry argues that the effect would be merely to drive avoidance underground, to turn it into evasion which would be even harder to control and lose the Exchequer even more money.

Tax avoidance is quite distinct from evasion. A person who evades tax—for instance by not declaring income—is simply breaking the law. By contrast, avoidance works within the law. At one end of the scale avoidance is planning one's affairs so that minimum tax is payable. At the other end—the end at which the avoidance industry works—are highly artificial packages which take advantage of loopholes in the law. The sole motivation for the inter-connected and complex transactions, which are usually entered, is the avoidance of tax.

## A battle of wits

Although frowned on by the Inland Revenue, avoidance of this kind is not illegal. This opens the way to a battle of wits endorsed in a famous ruling in 1929 by Lord Clyde, a prominent Scottish judge—

"No man in this country is under the smallest obligation, moral or otherwise, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest shovel in his stores. The Inland Revenue is not slow and quite rightly—to take every advantage which is open to it under the taxing statutes for the purpose of depleting the taxpayer's pocket. And the taxpayer is, in like manner, entitled to be astute to prevent, so far as he honestly can, the depletion of his means by the Inland Revenue."

Sir Norman Price, chairman of the Inland Revenue from 1973 to 1976, challenged the Clyde doctrine in 1976 when he argued that accountants had a moral duty not to help the growing trend towards avoidance.

He defined avoidance as the tendency to take a long route when normal business practice would suggest a much shorter one.

But last summer a decision in the High Court re-emphasised

TOP OF THE POPS  
Some of the most popular tax avoidance schemes in recent years have been:

● 1968-76: Reverse annuities scheme. The payment of an annuity in exchange for a capital sum. The annuity payments were deductible while the capital sum was not taxable.

● 1973-74: Plant leasing scheme. Individuals went into partnership with a company to buy plant and lease it commercially, thereby gaining 100 per cent. first-year tax allowance. The individuals backed out, landing the company with withdrawal of allowances when it sold the plant. However, the company was non-resident, so U.K. tax could not be levied.

● 1975-76: Interest Deduction Scheme. Loose drafting of the tax law allowed individuals who paid a lot of interest in advance to get a deduction on what they paid, not on what the accrued interest should have been. Then they sold the capital.

● 1977: Commodity Carry Scheme. Individuals went into partnership with a company to obtain technical losses in a series of commodities futures transactions. Before the corresponding profits were realised the individuals sold out for a capital gain.

Clyde. A scheme devised by Mr. Ronald Plummer, former tax manager with Slater Walker, was upheld "notwithstanding that the object of the scheme was tax avoidance."

Many accountants have in the Inland Revenue's view blurred the line between justifiable tax planning and unjustifiable tax avoidance. However, only a select number of companies and insurance brokers are designing the recent off-the-peg schemes that have proved so popular.

Two of the most successful are Mr. Godfrey Bradman, who marketed the reverse annuity scheme which saved a reputed £18.2m. tax for builders George Wimpey in 1976 through his London Mercantile Corporation, and Mr. Roy Tucker, who works closely with the Rosminster group set up by Mr. Plummer.

The avoidance industry's customers are usually individuals. This is because the maximum rate of corporation tax stands at 52 per cent., so if a scheme is to be used it is much more profitable to apply it to income tax, where top rates are much higher.

Wimpey is one of only a few public companies thought to have used schemes, and it is almost certainly the largest. The industry estimates that only four or five others have taken the plunge so far, and they have all been smaller than Wimpey.

The profitability of the industry is staggering. Investment is confined to intellectual input, office overheads and stationary. The normal return on a scheme is 30 per cent., not of tax saved but of total income dealt with. Some fees are as high as 30 per cent., while 12 per cent. repre-

sents the rock bottom.

In some cases companies in the industry guarantee to meet the costs of fighting a test case all the way up to the House of Lords.

The nature of the battle of wits between the industry and the Inland Revenue means that secrecy on both sides assumes high importance. Only rarely will individuals on either side talk to the Press and information of any relevance is only given after assurances that such confidences will remain unattributable and "off the record."

The industry knows that as soon as the Inland Revenue hears of a scheme its useful life has ended. The Inland Revenue has two weapons to tackle an avoidance scheme.

The first is to introduce legislation banning it in the next Finance Bill. At the same time it usually takes a test case through the courts as an attempt to prove that the scheme was not valid anyway. It usually takes years for judgment to be reached.

The industry complains that it is put at an unfair disadvantage in this battle for two reasons. The first is that the vague scope of the Parliamentary answers giving warning of changes in the next Finance Bill means that whole taxation areas have to be shunned until the fine print can be read.

The second is that the decisions of the Special Commissioners, who are invariably the first step in the legal process in tax avoidance cases, are not published. This means that the Inland Revenue can in some



Mr. Joel Barnett: An end to early warning.

to introduce legislation on the Australian model. This, in essence, says that the tax authorities can set aside any scheme which they consider to have been carried out with the sole intention of avoiding tax.

Although this type of "anti-avoidance provision," as it is called, applies in the U.K. under section 460 of the 1970 Taxes Act to transactions in securities, the Inland Revenue is not keen to extend its powers further in this direction.

Clearly it would go straight against British constitutional practice to allow the Inland Revenue to be prosecutor, judge and jury in its own cause. The U.S. doctrine of "form and substance" would also be impossible to apply here. In the U.S. courts have powers to decide the intention lying behind a law. The U.K.'s legal tradition allows courts power only to interpret what Parliamentary statutes actually say.

This leaves retrospective legislation against specific schemes: The political uproar over the 1950 Finance Bill concerned the payment of £100,000 to Sir George Black, chairman of Standard Motors, and £25,000 to Mr. L. Lord of Austin Motors in return for undertakings that they would not work for any other motor or tractor company for the rest of their lives. The retrospective imposition of surtax on restrictive covenants left Sir George with £4,500 and Mr. Lord with £8,700.

The Government clearly considers that the present unpopularity of tax avoidance among most voters will be enough to balance the inherent unpopularity of any retrospective legislation they may introduce. Nevertheless, the avoidance industry is convinced that the Government will hold back. It believes that Mr. Barnett's threat was an attempt to make it reduce its activity voluntarily.

It points to the occasion in December, 1976, when he announced that there might be legislation to prevent a particular type of avoidance connected with property. In the event there was no such provision in the Finance Bill and he explained the omission later by pointing out that the scheme had been dropped by the industry following his announcement anyway.

However, the current position is markedly different. With the basis of the U.K. direct tax system crumbling, the Government will have to do something sooner or later, and retrospective legislation looks like the best weapon in a post-armoury. Unless of course it decides to cut top marginal tax rates to around 50-60 per cent., which would remove much of the incentive behind tax avoidance.

The options open to the Government in controlling avoidance are limited. One way of tackling the problem would be

## MEN AND MATTERS

## Question time for Parliament

Fifty-two years after the BBC first requested it, Parliament will finally be on the air as from this afternoon. A momentous occasion, you might say, but still only a step in the uphill process of persuading our legislators to accept media practices taken for granted in, say, the United States.

The radio stations are of course cock-a-hoop. The television boys too feel that they have inserted the thin end of the wedge. In February 1975 a proposal for a public experiment with TV coverage of Parliament was rejected by 275 votes to 263. Now there are discreet cameras which do not need hot spotlights, even if their introduction might require the whips to adopt Canada's recent expedient of disguising empty benches by grouping those present around whoever was speaking.

But the print journalists have gained little. They are still not allowed to use tape recorders inside Parliament to assist their memory. Nor is there a public relay system which would allow them to sit at their desks and listen, as in Strasbourg, through headphones or earpieces.

Leaving aside the question of how far the Cabinet and Whitehall have usurped the powers of Parliament there is also the fact that in some ways the actual chambers of Parliament are less important than its corridors and lobbies. It is in these that a number of the bargains and much of the explaining takes place. Are the radio stations going to be allowed to report these? Or, like the lobby correspondents, are they going to have to pretend that such meetings never take place? Particularly with the radio stations' offices being outside the Parliament building, I do not predict the programme "Yesterday in the Lobby."



Do they expect us to sit at home, in the dark, eating cake?

## Sleigh away

Sports enthusiasts waiting for the Frozen North to thaw may be pleased to hear of a new thrill which the Greenlanders have waiting for them—"Rent-A-Dog."

In fact not one dog but a whole team of huskies complete with sled and driver will be available. SAS are arranging this for their passengers, and obviously hope to add trail fishermen who normally visit Greenland in the spring.

"Rent-A-Dog" will be in operation until the snows start melting about the end of this month. The trail SAS is promoting runs the 128 miles from Sandre Stromfjord, main town of Greenland, to Holstenborg, the second largest town—3,500 inhabitants. The huskies will take you past lakes and fjords and over some low mountains. An SAS spokesman assured me that the tent provided was three-star and that after all this rigorous stuff the return journey would be by helicopter.

"We bark harder," he commented.

As for the dogs, if only other breeds would do, maybe we could start sending some of the numerous strays being left on motorways here by families who no longer love Fido once he has grown up.

## China tales

From the Cultural Revolution to the literary revolution was the message received by the Publishers' Association which has just returned from China.

Its members all were enthusiastic. They may have had slight reservations about the fungal, jelly-fish and fishstomach soup which turned up at some banquets. But there were also boat races on the Yangtze; visits to show-communes near Shanghai with wall maps which lit up to show where were the hospitals, pleurovities and other features and which way the irrigation flowed; and a glimpse of business.

Clive Bradlev, Chief Executive of the Publishers' Association, told me that they had gone at just the right time, with the Fifth National People's Congress in session resolved on the "Four Modernisation"—of defence, industry, agriculture, and science and technology.

The Chinese told their guests that the way the Gang of Four had hijacked the Cultural Revolution had led to a ten-year gap in their literary output. There was some discussion about the Oxford University Press working with the Chinese on a dictionary and an encyclopedia. But Bradley thought the most promising fields were scientific, technical and medical textbooks.

He was impressed by their claims to have printed 200m. copies of quotations from Mao Tse Tung. There seemed to be little animosity because of our gun boat diplomacy or opium wars in the 19th century. The banquets were mainly

formal but in taxis, the British were told that Margaret Thatcher was less popular than Edward Heath. There are three Chinese trains named after leaders and I wondered whether our ex-Prime Minister might be allowed to whistle stop promoting his books. "No," I was told, "They like Heath the politician, not Heath the author."

## Paper chase

Austerity is catching up with the City. That square mile of power and finance is only allowed to keep for itself one-fifth of the rates that the Corporation of London collects. Money is short and, to keep to its budget, the Cleansing Department has been obliged to remove all hand-towels from its public conveniences.

A spokeswoman of the Corporation told me—hardly reassuringly—that for the present they would still be keeping handbasins. She added that the Corporation would save no less than £2,500 per year by this latest cutback. Were they considering an appeal? "Oh, that would be embarrassing."

## Gin powder?

One more difficult problem which our Chancellor might like to consider as he finalises the package which will launch our Great Leap Forward—how to tax gin.

This question is beginning to arise in the U.S. and there are plans to sell it abroad. Mr. D. Davis, Director of the Bureau of Alcohol, Tobacco and Firearms—a title which suggests runs for firewater—says the new product "looks like gin but chemically it is still a liquid. However, it cannot be 'mixed as a liquid.' Any ideas?

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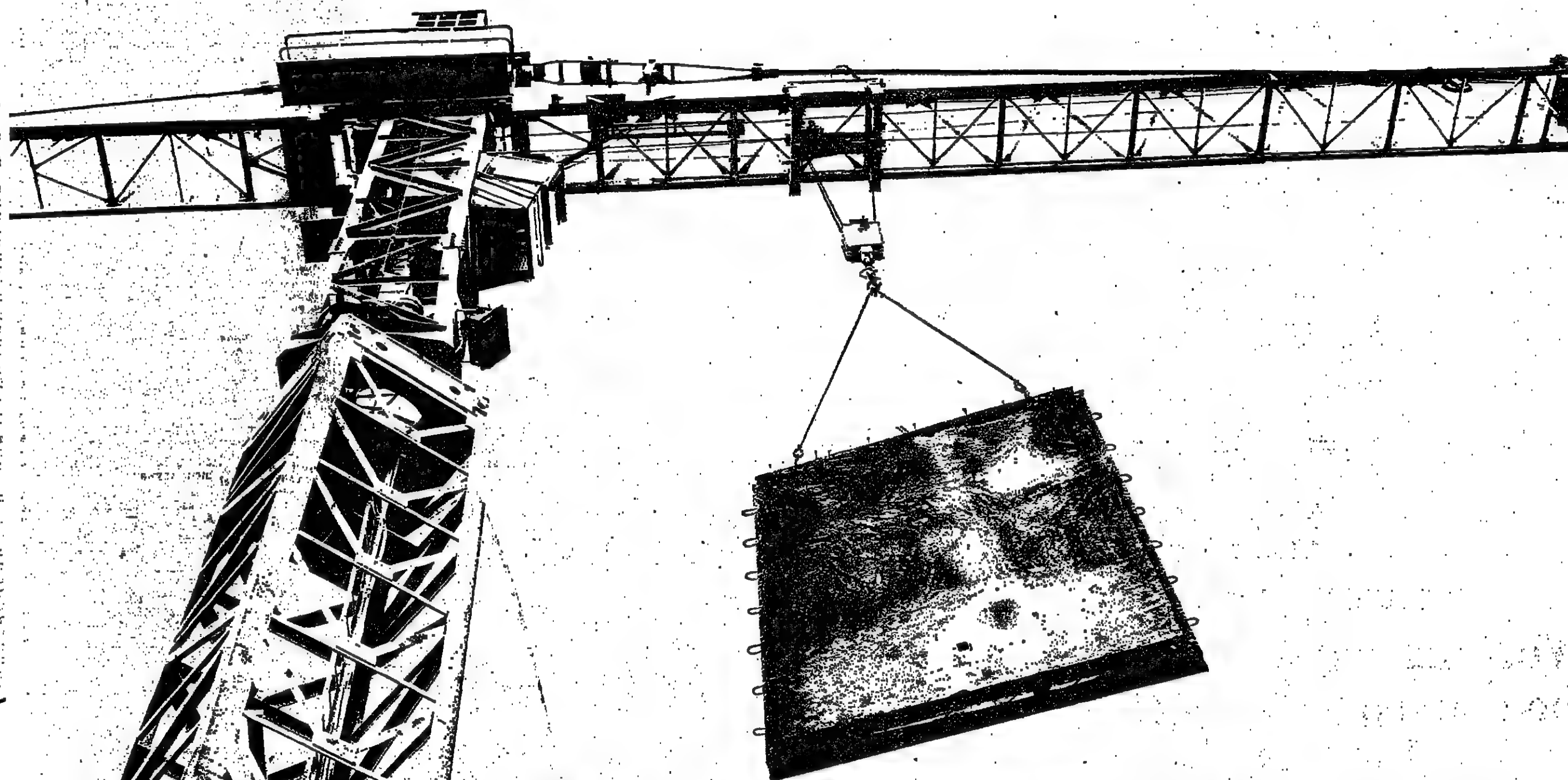


Monday April 3 1978

مكتبة الشرق

# Bahrain

A slackening in the pace of the business and construction boom has given Bahrain a chance to take stock of its achievements of recent years. Inflation has been brought under control but long-term economic success will depend on maintaining greater political stability.



## Building in the Gulf ?

The construction industry in Eastern Saudi Arabia, Qatar or Bahrain is not without its headaches — as a number of companies have found to their cost.

Profitability is dependent on meticulous costing and planning as well as efficient project management — and all too often a minor slip has disastrous financial consequences. Or the whole job falls behind schedule, and men and materials have to be flown in at vast extra cost.

Most companies tendering for work in these areas consider briefly the use of pre-cast concrete panelling. It's exceptionally fast to use, offers considerable manpower savings and can cut costs dramatically if it is designed into the project from the start.

Generally the idea is discarded. The cost of sophisticated pre-casting plant can't be justified against one project — and precasting really can't be bought elsewhere and shipped in at a reasonable cost.

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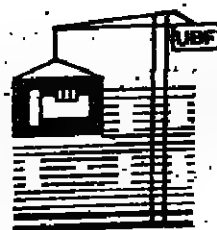
We have our own sophisticated array of heat cured moulds to allow rapid production of an almost infinite variety of pre-cast components. And we have our own concrete technologists to make sure our panels withstand the rigours of the Gulf climate.

The capacity of our plant is immense — we can supply panelling to build 1,500 houses, 2,000 apartments or 120 schools each year. And our panelling is finished to such a high standard that the inside walls are ready for painting or papering.

So United Building Factories is on the spot — ready and able to manufacture any concrete panel or component you care to name for use in Eastern Saudi Arabia, Qatar, or Bahrain itself. In a fraction of the normal time. At a price which can offer dramatic savings on any reasonable quantity.

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## BAHRAIN II

## A time for taking stock

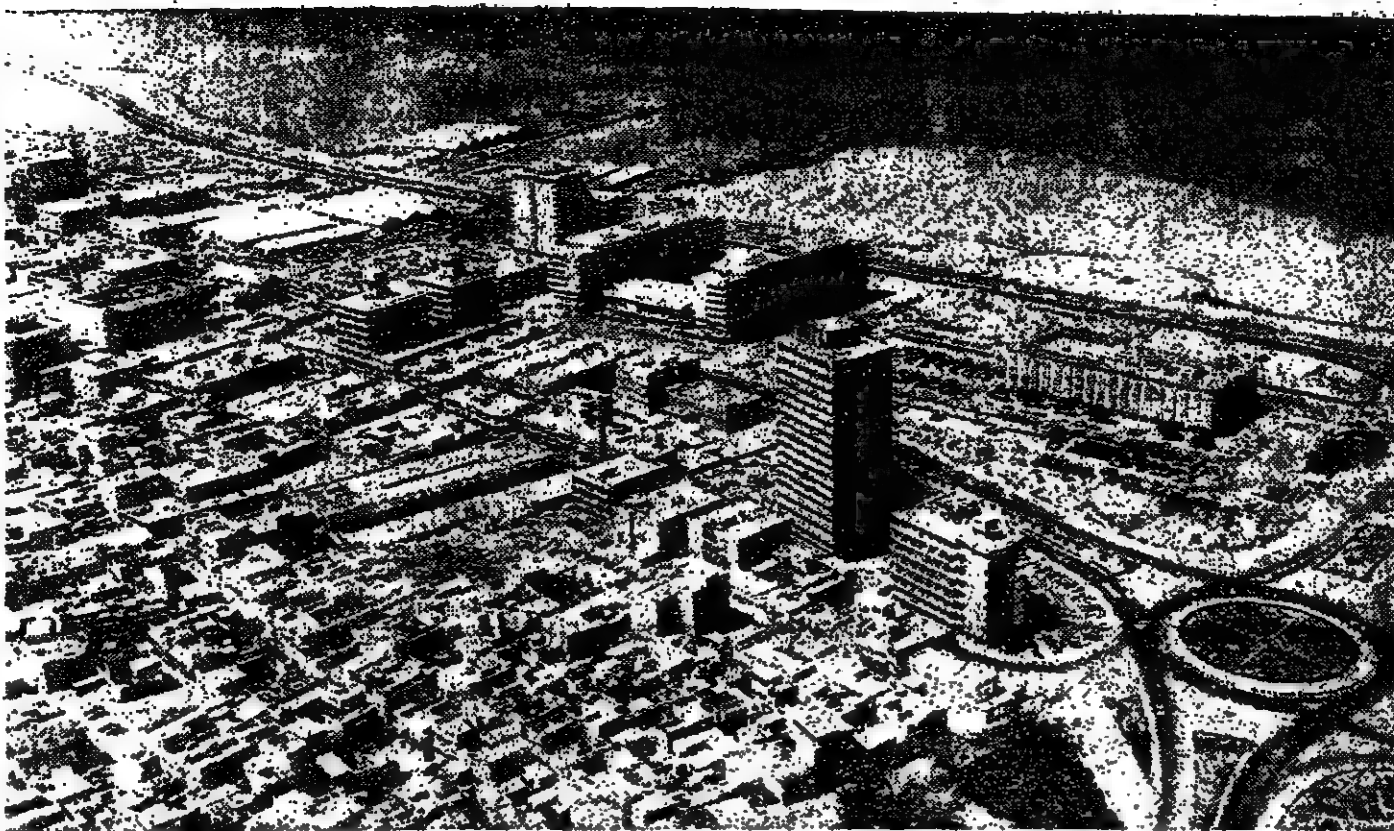
By Michael Tingay

AT THE turn of the century King Abdel-Aziz ibn Saud sailed from Bahrain to return from his exile in Kuwait and launch a military campaign which eventually united the modern Kingdom of Saudi Arabia. Remembrance of this historic event means that to this day there is a firm, enduring friendship between ruling Khalifa family in Bahrain and the Royal House of Saud. More than ever the relationship between this least affluent — but by no means poor Gulf oil producer and the richest is of fundamental importance. It is a factor helping to ensure the stability and prosperity of Bahrain.

The long-term success of Bahrain's economic development and its aspirations to be a regional business centre inevitably depend on political stability on the island. In the past Bahrain has been subject to periods of turbulence. One cannot ignore the division between the indigenous Shi'a Muslim community, which is fiercely religious, and the Sunni population nor the historical divisions between radical and conservative in the highly educated population. Bahrainis have enjoyed more enlightened rule than most of their neighbours and the sophistication of the people is testified to by the history of Arab nationalist demonstrations in the 1950s, of radical demonstrations in the 1960s and more recently the unsuccessful experiment with parliamentary democracy.

Together with Kuwait, Bahrain is the most sophisticated and educated Arab state of the Gulf. A shrewd policy of *laissez-faire* pragmatism continues to be the hall-mark of the Khalifas. They still hold about three-quarters of the key jobs in the states but, like the Sabah family of Kuwait, have shown wisdom in delegating responsibility. Moreover, the political agility of the Ruler has enabled him to satisfy the Saudis on all important issues while maintaining independence from the more puritanical Wahhabite ways of the petroleum super-power across the water. The result is a free-wheeling but uncorrupt society with its own special quality of stable tolerance. In many respects it is the most refreshing oasis of arid Arabia. Moreover, it is one — with limited and declining oil resources — that has managed to compete successfully with dynamic Dubai as a business centre for the Gulf.

The wild business and construction boom that followed the 1973-74 oil price explosion is over. The Government almost welcomes the slowdown and the relief from the overheated pressures of 1975 and 1976. The slackening in the pace of activity has given the Bahrainis time to take stock of their achievements of the past three years. Although there is no room for complacency when the constructors continue to build offices and hotels which stand the sturdiest chance of being fully occupied, the Government has some grounds for self-satisfaction. The spiralling inflation rate is at last under control, rents are starting to fall, no less than 40 offshore banking units (OBUs) have set up shop since they were invited to take licences in 1975, port congestion has disappeared and the most prestigious dry-dock for super-tankers built



Looking over the capital, Manama.

Minister of Defence. Bahrain is one of the last places in the world where anybody, citizen or foreigner, can have access to the senior members of the ruling family each of which, not the least the Emir, hold a Majlis or Court session to meet the people.

One member of the al Khalifa family stresses that for Bahrainis the important issue is the practical freedom which citizens are given. He said: "We don't have your democracy but neither, thank God, do we have the control which exists in so many other Arab states where controls are imposed to enforce the interests of the party representing democracy." Certainly, the assertion is true but not the whole truth. Sweeping arrests followed the assassination late in 1976 of a prominent right-wing newspaper editor, and the Prime Minister recently confirmed in a newspaper interview that Bahrain has 30 political prisoners.

In foreign policy the country follows the lead of Saudi Arabia in virtually all matters. Perhaps the most noticed development of the past year was the abrogation or suspension in June, 1977 of the agreement under which the U.S. Seventh Fleet had the right to use the installations of Jufair

naval base. It had come under intense external and local criticism during the 1973 Arab-Israeli war. The continued existence of a formal agreement could at any time have exposed Bahrain to further criticism from other Arab States. Typically, however, although the U.S. naval base formally no longer exists, Rear-Admiral William J. Crowe Jr., commander of the U.S. Middle East Fleet, has his headquarters on board his flagship, the USS La Salle, a vessel specialising in telecommunications and moored off Jufair. Personnel who remained after the departure of the flotilla now belong to what is known as the "Admiral's support unit," though Foreign Ministry officials are quick to point out that support facilities for the flagship are the same as those accorded to any other foreign ship.

Saudi Arabia's lead in international matters has not affected the independence and direction of internal affairs. Despite their intimate ties, Bahrain has picked up none of the puritanical habits of its huge neighbour. Indeed, Saudi Arabia seems to encourage Bahrain as the open experimental society in the region. A less resilient society might not have

bounced back so swiftly following the failure of the democratic experiment, but the lessons have been learned by the Saudis as well as the al Khalifas.

Diplomatic observers are quick to discount exaggeration of the Saudi influence. They point out that there has been no Wahabi spill-over from Saudi-financed schools and institutions, and that co-educational schools are being restarted after a period of segregated schooling. Liquor licences have long ago been abandoned. Independence can also be noted in the appointments of certain officials, who are known to be disliked by the Saudis.

After a period of heavy spending, the Government has decided to balance the budget to avoid the inflationary effect of deficit financing. There is worry rather than alarm at the unfinished buildings which continue to rise, including five first-class hotels. But Bahrain is delighted at the success of the off-shore banking experiment, which has enhanced the country's reputation for imaginative initiatives.

A year ago, one of the island's bankers commented: "If the market consolidates around \$10bn, then we have a future."

The latest report of the Bahrain Monetary Agency indicates that OBUs have been doing more than \$15bn. worth of business. If it reaches \$18bn, it would be on a par with Singapore, which would be a satisfying achievement for Bahrain in terms of inter-Gulf rivalry, since Dubai has consciously striven to become the "Singapore of the Gulf."

In order to follow up the multiplier effect of the OBUs, the Government is now establishing a licensing system for offshore companies. The exempted companies (ECAs) experiment stems directly from the success of the OBUs and should contribute further to the magnetic effect which the OBUs creators envisaged.

The basis of Bahrain's economic success story lies in the fact that it was one of the first of the Arab producing States of the Gulf to come on stream. Now its resources are extremely limited. Bahrain's output is a minuscule proportion of the total produced by the Organisation of Petroleum Exporting Countries and it has never — unlike Trinidad which tried so hard to join the cartel — attempted to become a member. Nevertheless, despite the spectacular success of the

OBUs, perhaps the basic heart of Bahrain's transformation can only really be appreciated at the old oil town of Awali, which still houses most of the expatriate personnel responsible for the production of the Bahrain Petroleum Company and the operations of its refinery.

Bahrain more desperately than any other of the producers of the region needs to diversify. Last year petroleum income accounted for about 66 per cent of total income and 60 per cent of expenditure. The difference was met mainly by aid from Saudi Arabia which generously made over half the yield from the Abu Saafa field to its poorer cousin. Revenue from it now accounts for about half of Bahrain's total receipts. Production from Bahrain's own indigenous offshore fields is declining at the rate of 3 per cent per annum and it is anticipated that their life may come to an end by the early 1980s. Bahrain cannot afford the indulgent largesse of its richer neighbours as it faces the inflationary consequences of the oil boom and the social problems which might arise from it.

The emphasis on developing small private industries downstream from established activities may be related to apprehension about the development of substantial concentrations of labour in a few large industries. Fears that a radical proletariat would develop grow after labour unrest at Aluminium Bahrain's smelter in 1974. When the Government issued the long-awaited labour law for the private sector and the law for social insurance in August, 1976, it did not, as many expected, legalise trade unions. But it was a departure from the traditional attitude towards labour. Under the legislation all workers are treated equally, regardless of nationality. In the aluminium plant and other large companies management labour relations function through a system of divisional committees among the workers.

The Government's response to inflation and the growing discrepancies in income has not perhaps been as quick and effective as it might. However, heavy-handed State intervention would be impossible in an economy which is — and must be — tailored — oriented and dominated still by the merchant community despite industrial development. At the same time

the Government has acted with some urgency to the shortage of low-cost housing. Its home building programme has been given high priority in this year's budget and the Government says it will continue "until the housing shortage is alleviated."

Above all else the \$800m. causeway project is beginning to dominate the State's economic future. In connecting two large population centres the economic and social impact of the causeway will be immense. By the time it is finished Saudi Arabia will have completed Jubail, the largest industrial complex of its kind ever built. Bahrain will have direct access to the Kingdom's Eastern Province and the hinterland beyond. It will be tied into the Middle East highway system which in turn is linked to Europe.

## Benefits

Among the many benefits expected by Bahrainis is that agricultural products will be cheaper as trucking develops. One of the big problems expected is further traffic congestion — according to one knowledgeable Saudi, no less than 100,000 cars will flood in every weekend from the Kingdom. The implications will be social as well as economic. While Bahrainis may leave the island for winter week-ends at Saudi Arabia's huge al Baha oasis, many more Saudis will be denied themselves the pleasurable refreshment denied them at home but permitted in Bahrain. Fears that Saudi Arabia will impose some of its puritanical ways on Bahrain are dismissed by officials as groundless. If it did so, the result would be damaging to the development of the State as a service centre for the Gulf — a fact that Saudi Arabia with its interest in Bahrain's stability and prosperity presumably appreciates. The proximity and power of the Kingdom makes it a reassuring presence, though inevitably at the same time Bahrain will, under its hegemony, seek to maintain its political independence and integrity. The end way is one more bridge to add to the air bridge, the sea link and family ties.

The photographs in this survey were taken by Olva Gavin.

# BA

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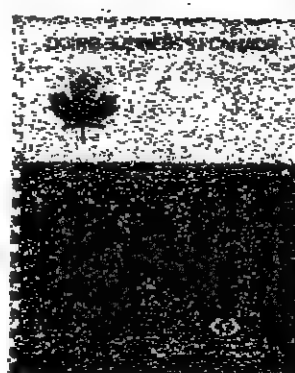
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- 4 What are Canada's tax laws, and how do they apply to international companies?
- 5 What government grants are available to help set up companies such as in slow growth areas? Are such grants available to international companies?
- 6 What is the effect of Canadian customs laws and practices?
- 7 What is the procedure for applying for import licences, registration etc?
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مركز الأعمال



# The economy settles down

BAHRAIN'S ECONOMY is very different from those of the other oil producing States which surround it. Because it is such a small oil producer its GNP is much smaller. Bahrain is still heavily dependent on hydrocarbon revenues, but much less so than any of its neighbours. Now that its economy is developing in the direction of service industries, it is likely to complement rather than compete with the economies of its neighbours.

The boom, which three years ago thrust Bahrain into a spasm of overheating, has subsided and has been succeeded by a period of what the Government calls "consolidation." Development is proceeding slowly but more manageably, the inflation rate has fallen, public spending has been pared and the Government has produced a balanced budget for 1978. The flurry of projects begun or planned during the 1975-76 boom are moving, sometimes uneasily, to completion. The Government is doing its best to squeeze the most out of existing resources and investments, concentrating on spin-off from current development rather than on totally new activities. The next stage of economic growth will come with the construction of the causeway joining Bahrain to the mainland—and happily Saudi Arabia is expected to pay all the expected \$300m. cost.

## Backlog

Two years ago the island was bursting at the seams. Freight was piled high at Bahrain's international airport at Muharraq and South Korean workers had to be brought in to clear a backlog of goods from the then congested Mina Sulman port. Office buildings and apartments were going up fast but not rapidly enough to keep pace with the soaring rents, which made Manama one of the most expensive cities in the world. The country's fine communication system groaned under the sudden strain imposed by the arrival of the world's international banks in response to the Monetary Agency's invitation to set offshore banking

units (OBUs) in a tax haven.

To-day, port and airport capacity are balanced, hotel rooms are easily available, rented houses and apartments are dropping in price and new office blocks are empty. Five major hotels are under construction, and there is concern that construction projects in the private sector could face bankruptcy when "oversupply" of rooms, homes and offices makes itself felt. Bank lending for construction levelled off towards the end of 1977 after a year when 30 per cent of all lending went to building.

The OBUs found a firm niche in the economy, and by the end of last year the offshore banks were handling \$15.7bn. of funds, half of them in dealing with the Arab world and 17 per cent of them in regional currencies. The 1977 report of the Bahrain Monetary Agency showed that banking business has almost doubled in the past year and that \$7bn. of the bank's assets came from Arab States and \$3.3bn. of liabilities were owned by Arab States.

The OBUs acted as a powerful stimulus to the economy, each of the 33 banks (seven more were ready to open early this year) spending an estimated \$1m. locally. But their arrival also pushed up the cost of rents and services and boosted inflation, which was officially acknowledged as higher than 30 per cent during 1975 and 1976.

The increase in the cost of living for the average Bahraini family was down to about 13 per cent in 1977, mainly because of the allocation of several million dinars to subsidise a number of essential commodities (rice, cooking oil, soap, milk powder, wheat, eggs, chicken and many meats). The inflation rate last year for foreigners and the wealthy Bahrainis is thought to have been closer to 20 per cent, and Government officials hope to reduce this still further.

A new budget system was introduced this year in an effort to relate spending as closely as possible to Bahrain's known limited revenues. For departmental planning, this means budgets worked out over a five year period.

Figures for the next two years have been published, which show 1978 and 1979 revenues

BD230m. (\$721.6m.). This is the first time in several years that the Government has avoided deficit financing, which had been used to speed up projects despite the acknowledged inflationary effect.

The 1978 budget includes no new projects apart from expansion of the sewerage and electricity generating facilities. Manama's expanded sewage construction will cost an estimated \$300m. over the next two years. The housing programme continues to get priority as it has since the abolition of the National Assembly in 1975 when the Prime Minister declared that provision of houses for Bahrainis and reduction of the cost of living increase were the twin priorities of the Government. In 1978 the Ministry of Housing will spend \$96m., the Education Ministry \$65m. and the Health Ministry \$51m.

State expenditure in the 1978 budget is 12 per cent up on last year, with recurrent spending increased by 21 per cent, but capital spending less than 5 per cent, up (compared with a 38 per cent increase in 1977 over the previous year).

Oil revenue, which traditionally contributed more than 70 per cent of Government income, was down last year to 64 per cent, and this year is estimated at 61 per cent. The 8 per cent increase in actual revenue to more than BD161m. is the result of increased output of the offshore Abu Saafa field which Saudi Arabia has shared with Bahrain since 1972.

For the first time revenue from Abu Saafa will account for more than half the country's total oil income. Meanwhile production from the State's onshore wells is due to decline again this year by 4 per cent. The changeover to 100 per cent State ownership of the fields is expected to benefit Bahrain by only \$5m. a year.

## Revenue

Receipts from fees and services are estimated at 25 per cent more in 1978 after doubling last year. The Government has continued its policy of raising charges and bringing in new ones to broaden the revenue base—a course dictated in 1976 and 1977 by a combination of prudence and the urgings of

the International Monetary Fund.

In contrast to most neighbouring countries, grants, loans and bonds are assuming an important role in State financing. Loans and aid are estimated in the 1978 budget as BD41.1m.

## BASIC STATISTICS

Area	256 square miles
Population	326,000
Trade (1976)	
Imports	BD387m.
Exports	BD136m.
Imports from U.K.	£89.5m.
Exports to U.K.	£30m.
Trade (1977)	
Imports	BD445m.
Exports	BD157m.
Imports from U.K.	£114m.
Exports to U.K.	£13.6m.
Currency: Dinar	£1 = BD4.736

marginally more than in 1977, the bulk of it from Saudi Arabia. A new idea launched last year was the floating of Bahrain's first development bond, which was unexpectedly successful. The Government had been worried that such a bond issue would be interpreted by the public as a sign of financial difficulty. As it turned out, the issue was oversubscribed by financial institutions and offshore banks and the paper was increased from \$25m. to \$35m.

The purpose of the bond issue was to test the market and to soak up some of the inflationary excess liquidity, which until then was being channelled almost exclusively into new construction. The 1978 budget anticipates BD30m. from further bond issues during the year. In addition to assistance shown up as loans, grants and aid, Bahrain leans heavily on direct support by Saudi Arabia, Kuwait and the UAE for a number of schools and clinics as well as ad hoc funding when needs arise. None of this can be accurately assessed.

Paring down Government spending can help only in a limited way to offset the trade deficit, which is linked directly

to the high imports during the construction boom and which last year rose to BD288m. compared to BD251m. in 1976 and BD38m. in 1975.

No official balance of payments figures are published, but estimates suggest a small surplus of about BD20m. in 1976 dropping to BD4m. last year. The main factors contributing to the positive balance of payments were remittances from Bahrainis working abroad (mainly in Saudi Arabia), earnings by Gulf Air and by the newly established offshore banks which spent an estimated \$40m. locally last year. Gold and foreign exchange reserves held by the Government of Bahrain and the BMA rose from \$153m. in 1975 to BD380m. in 1976 and BD408m. in 1977. Foreign liabilities of the BMA and of commercial banks increased in 1977 by an average of 27 per cent.

The decision to take over 100 per cent ownership of oilfield resources stems from the Government's concern to exploit Bahrain's resources to the optimum. The extra \$5m. which the Government will earn is less important than the guarantee that the remaining 30 years of oil reserves will be exploited to the country's fullest advantage, even though a barrel of oil at the wellhead might be considered uneconomic to extract compared to other fields.

Last week the Bahrain National Oil Company (Banoco) and the Japan Gas Company signed an agreement under which associated gas (which until now has been flared) will be processed under a \$27m. contract to make 80,000 tons a year of propane and 75,000 tons of butane for export as well as 125,000 tons of natural gasoline.

Bahrain's other natural asset is the high quality natural gas in the southern Khuff zone (discovered in 1971 with reserves estimated at 7,000-10,000bcu. cubic feet). It is piped to the refinery, to a power and desalination unit at Sitra and to the turbines of the Alba aluminium plant.

Alba, which was set up as a labour-intensive project to soak up unemployment and to diversify the economy, is currently proposing to expand output by 30 per cent, to 155,000 tons a

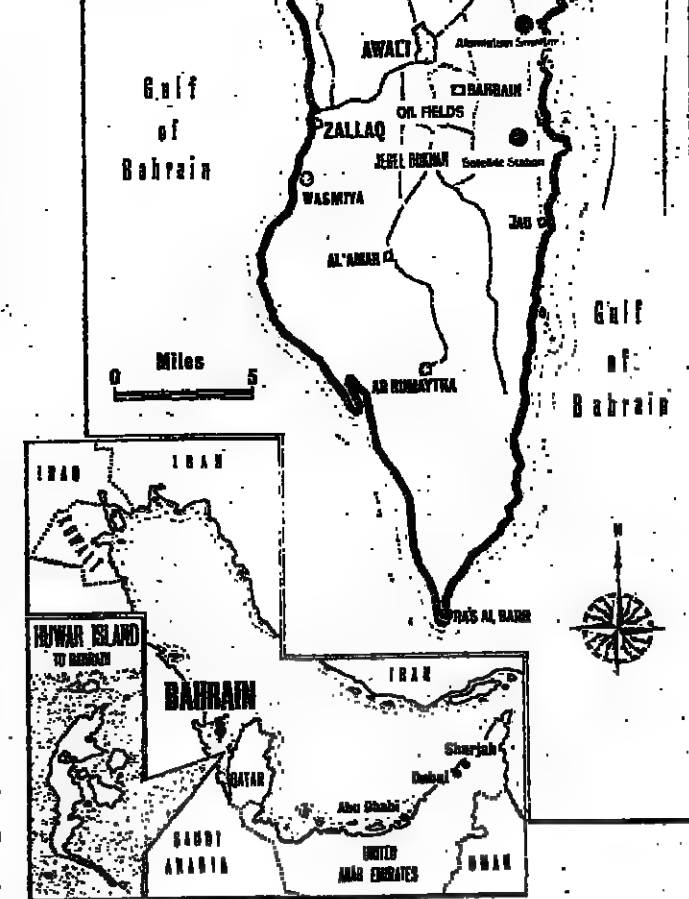
year. There are also hopes of further expansion by installing a calcining plant (which burns off volatiles in high sulphur petroleum coke) to process low-priced, green petroleum coke from the U.S. for export of calcined coke to Dubai and Iran, the rest to be baked into carbon anodes (the core of the electrolytic process whereby aluminium is produced) for local use at Alba and export to Europe.

## Dependence

Until 1974 Bahrain has been unique in the region in having an excess of skilled local manpower. Since then Bahrain's industries have become increasingly dependent on expatriate labour and expertise. Half the present population is under 20 years old and the 3.5 per cent population growth rate is a worry to planners since Bahraini skilled labour is drawn to higher paid jobs in Saudi Arabia. Competition in blue collar jobs from expatriates has been extended to white collar categories with the arrival of the offshore banks. One of the difficulties locally is the high turnover of the Bahraini labour force at plants like Alba which employs 2,500 workers.

This is by no means the full extent of industrial development. In the free zone area next to the port of Mina Sulman there are ventures involved in flour milling, prawn fishing and freezing, paper processing, plastic pipes, assembly of air conditioners, nails, matches, foam rubber, furniture and prefabricated housing. The site for a second free zone at Sitra is under development in close association with Bahrain's newest hope to stimulate the economy, foreign exempted companies, which are a development of the OBU idea and are the direct result of the success of the offshore banking gamble.

The ECs, as they will be called, are companies which will take advantage of a resolution decreed last year exempting foreign companies from certain provisions of Bahrain company law. The Commercial Companies Law decreed last year requires 51 per cent local ownership for companies trad-



ing in Bahrain. The chief exemption is from this 51 per cent Bahrain ownership requirement which will enable foreign companies operating outside the island to be incorporated in Bahrain.

More than two dozen companies have expressed interest in adopting EC status, of which three banks have been given the green light. Other companies in transport, forwarding and freight, management services and consultancies from France, West Germany, Britain, the U.S. and Arab countries have started discussions with officials about possible EC status.

The Government is giving encouragement to a private concern setting up an international exhibition centre intended to develop still further Bahrain's regional role. In April a pilot exhibition at the Hilton Hotel will be held on the theme of solar energy and its technology. An exhibition which will focus the visits of companies and buyers throughout the Gulf region into Manama dovetails

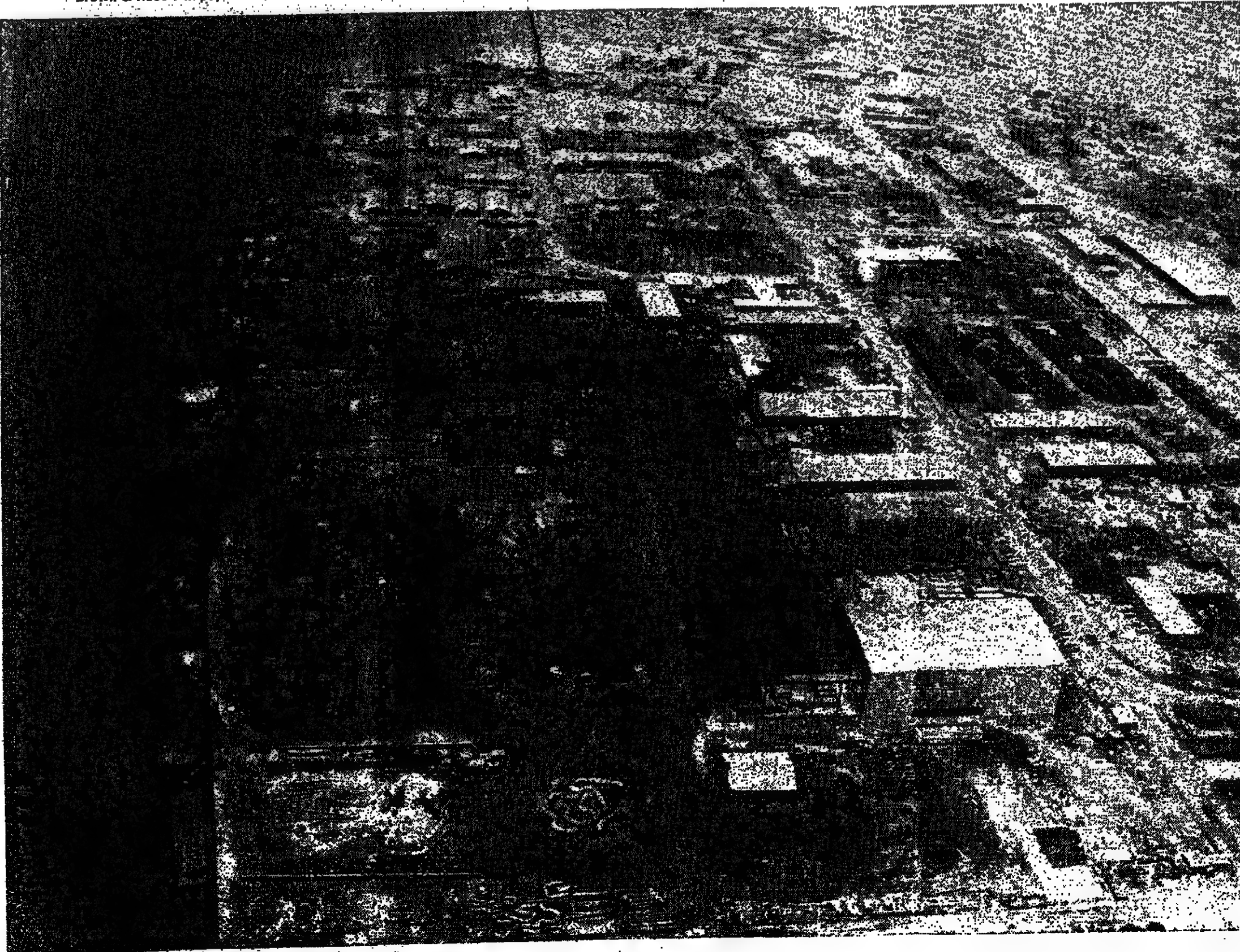
neatly into Bahrain's conception of itself as a regional centre. A further benefit is indicated by reports of full bookings in all hotels (including the yet unfinished Holiday Inn) in November, when the first full-scale show is due to open.

Of perhaps equal importance though less glamorous than some business developments are Bahrain's plans to develop a better-balanced food-producing sector. Hunting Technical Services has just set up an office in Manama to produce an agricultural master plan for Bahrain financed by the Kuwait Fund for Arab Economic Development. The same company's joint venture, Hunting MacDonald's Groundwater Development Consultants, which is studying water resources in Saudi Arabia's eastern provinces, has been given a BD2m. job (financed through the Saudi Ministry of Agriculture and Water Resources) to study thoroughly the island's dwindling fresh water supplies.

Michael Tingay

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## BAHRAIN IV

## Banks adopt a waiting policy

MANY OF THE problems of the Gulf states are problems of scale. Their incomes are too large, their populations too small. Bahrain is rather an exception to this rule, in that, until the 1974 oil price rise, its income and population figures were in comfortable balance.

The quadrupling of the oil price gave the Bahrain Government sufficient extra income to modernise the infrastructure of the state. This sudden upsurge in government spending provided a bonanza for Bahrain's merchants. It gave them business opportunities on a scale that they had never envisaged before, were not really able to manage and are now not always able to finance.

Bahrain's economic boom peaked in 1976 when bank lending had grown by about 66 per cent, and the money supply (M1) by 64 per cent. Everyone was importing building materials and construction equipment, furniture and furnishings, creating and renting office and domestic accommodation, opening letters of credit for goods which took three months to arrive and extending credit to customers beyond prudent commercial norms. Naturally when the inevitably slowdown started last year—and it was visible by the end of the first quarter when bank lending was growing at an annual rate of only 27 per cent.—it caught many traders and contractors unawares and placed them in constrained if not actually straitened circumstances.

There has, however, been only one bankruptcy in Bahrain of any serious scale in the past year, when a specialist contractor failed through a combination of inadequate financial management and a lack of new business. It was a relatively small scale affair, measured in thousands of dinars compared to the previous year's notorious bankruptcy of a prefabricated housing company which was measured in millions. But many a trader and contractor in Bahrain has learned to balance his debts and his income, not writing cheques out until cheques in have been cleared.

## Inactivity

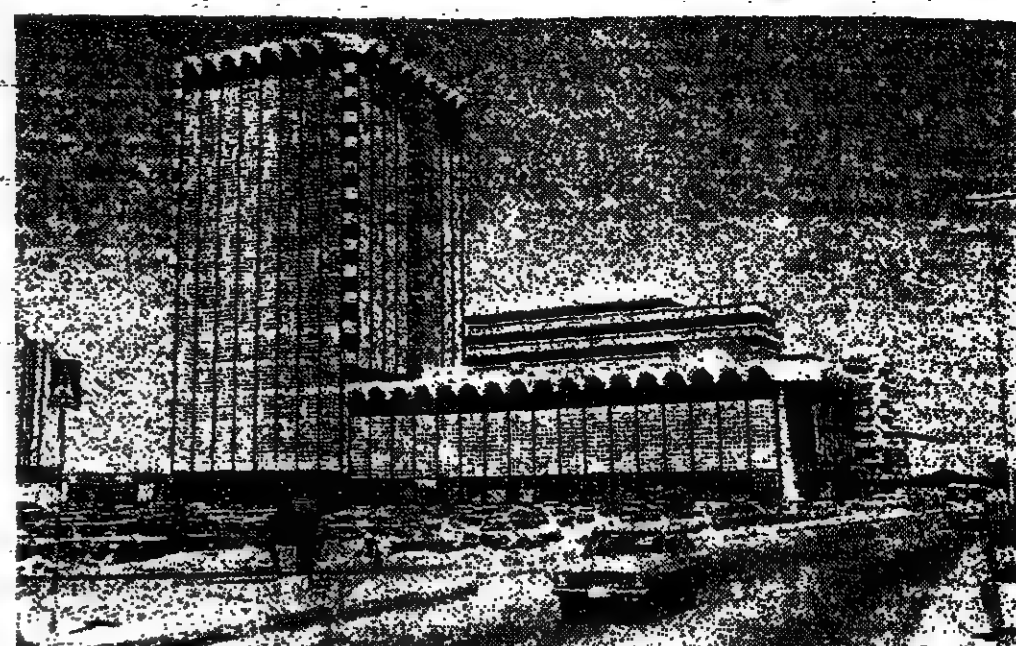
The fact that there are not more bankruptcies may be as much due to bankers' decisions to pursue a policy of mastery inactivity as to the luck or good management of Bahraini companies. On certain construction projects in the island the banks have been faced with the uncomfortable choice of bankrupting a client and being left with valueless assets, or of putting in further finance in the hope of potentially valuable assets when business picks up again.

Once into a project it is difficult for a bank to opt out but it is certain that Bahrain's bankers are now making their potential clients assess future projects more ruthlessly. Also, in a community as small as Bahrain whose total population is about 25,000 and whose business community is small, interconnected and gossip-prone, bankruptcies so to speak "pour encourager les autres" are not politically possible.

Cash management is a new game to many Bahraini traders though the biggest companies have always had their British accountants to counsel prudence. It is actually a civil offence in Bahrain to issue a cheque without sufficient funds to meet it on the date of issue. A cheque, which has been bounced can be taken to the police (Gulf English for police station) and the drawer called in to explain his position and what he intends to do about it. But only the most friendless orphan—or a foreigner—is likely to end up in jail as a result. The wonder of it is that the present tight situation does not appear to have soured business relationships in Bahrain. A combination of Islamic fatalism, family and school friendships and the Bahrainis' instinctive pragmatism keeps the situation at moderate simmering point.

Despite the low level of business, 1977 was not a bad year for Bahrain's commercial banks. There are 18 operating commercial banks in Bahrain and a nineteenth, the Al Ahlia Bank, has been formed, licensed and has signed a management agreement with the Bank of America. Given all the paper and systems work necessary to the setting up of a bank, it is unlikely that the Al Ahlia will be in business before next year, by which time business activity may have picked up again.

Until the formation of the Al Ahlia bank with capital of \$10m, last year, there had been a formal moratorium on the opening of new commercial banks. The Bank of Credit and Commerce International, for example, has taken and furnished banking premises above



The National Bank of Bahrain building in Manama

Citibank but has not been permitted to open for business. The Bahrain Monetary Agency, which has regulated the banking scene since 1974, believes that there has been sufficient expansion of banking business since 1975 when the moratorium was first imposed for another bank to open. Naturally preference was given to a local institution.

The two existing national banks are the National Bank of Bahrain which has a 48 per cent government holding and the Bank of Bahrain and Kuwait which is half owned by all the Kuwaiti banks and half by private Bahraini individuals. BBR is the first non-Kuwaiti bank to be given permission to set up a full commercial branch in Kuwait which has recently opened for business. The bank has a technical assistance agreement with the Chemical Bank which has seconded general managers to both the Kuwait and the Bahrain operations. BBR also has a 50 per cent shareholding in the Bank of Oman, Bahrain and Kuwait which is based in Muscat in the Sultanate of Oman.

Last year was very much one of consolidation and sorting out for the National Bank of Bahrain which had suffered a fairly traumatic 1976 when growth of business completely outran its administrative resources. The reorganisation of the bank should be completed by the end of this year and the last senior management post still to be filled, that of credit administration manager, should be taken up soon.

In spite of being in the throes of reorganisation during 1977, the National Bank of Bahrain moved into the local and international money markets, participating in the dollar bond issue for Eurofinma, the Bahraini dinar bond issues for Pemex, the Mexican state oil company, for the Philippine government, and for the Bahrain government's own development bond. The bank started to enter these fields because, in the words of general manager John House, "we wanted to join in the development of the money market here and we had acquired the expertise."

## Assets

Last year the National Bank of Bahrain made a net profit of around \$7.25m, an increase of just over 11 per cent on the previous year. The BBR, a smaller bank, turned in net profits of \$4.5m, an increase of just under 42 per cent on 1976. The total assets of the National Bank of Bahrain increased by just under 17 per cent, while advances increased by just under 2 per cent—advances during 1976 had increased by over 70 per cent. The comparable percentages for BBR are just over 25 per cent. growth in total assets and 43 per cent. in advances.

The other commercial banks in Bahrain are all branches of major American, European or regional banks—with the exception of Continental Bank which is a joint venture between Continental Bank and private Bahraini shareholders. It was set up in mid-1976 and is a full commercial bank with emphasis on wholesale business. It offers services for multinationals wishing to do business in the area, participates in the financing of national companies and private businesses. Its most conspicuous recent piece of business was the trade finance for the highly successful Dayville ice-cream parlours in Bahrain which is likely to be the first of a chain in the Gulf.

Of the British branch banks in Bahrain both Grindlays and Chartered are physically ex-

panding their operations in response to increased business in the course of last year. Grindlays is taking ground floor space in the new Manama Centre between Government House and the National Bank of Bahrain. Chartered has moved across the road from its head office into the Shaikh Mubarak building during the reconstruction of its head office. Bank Mellat, too, has expanded and taken elaborately furnished premises also in the Shaikh Mubarak building.

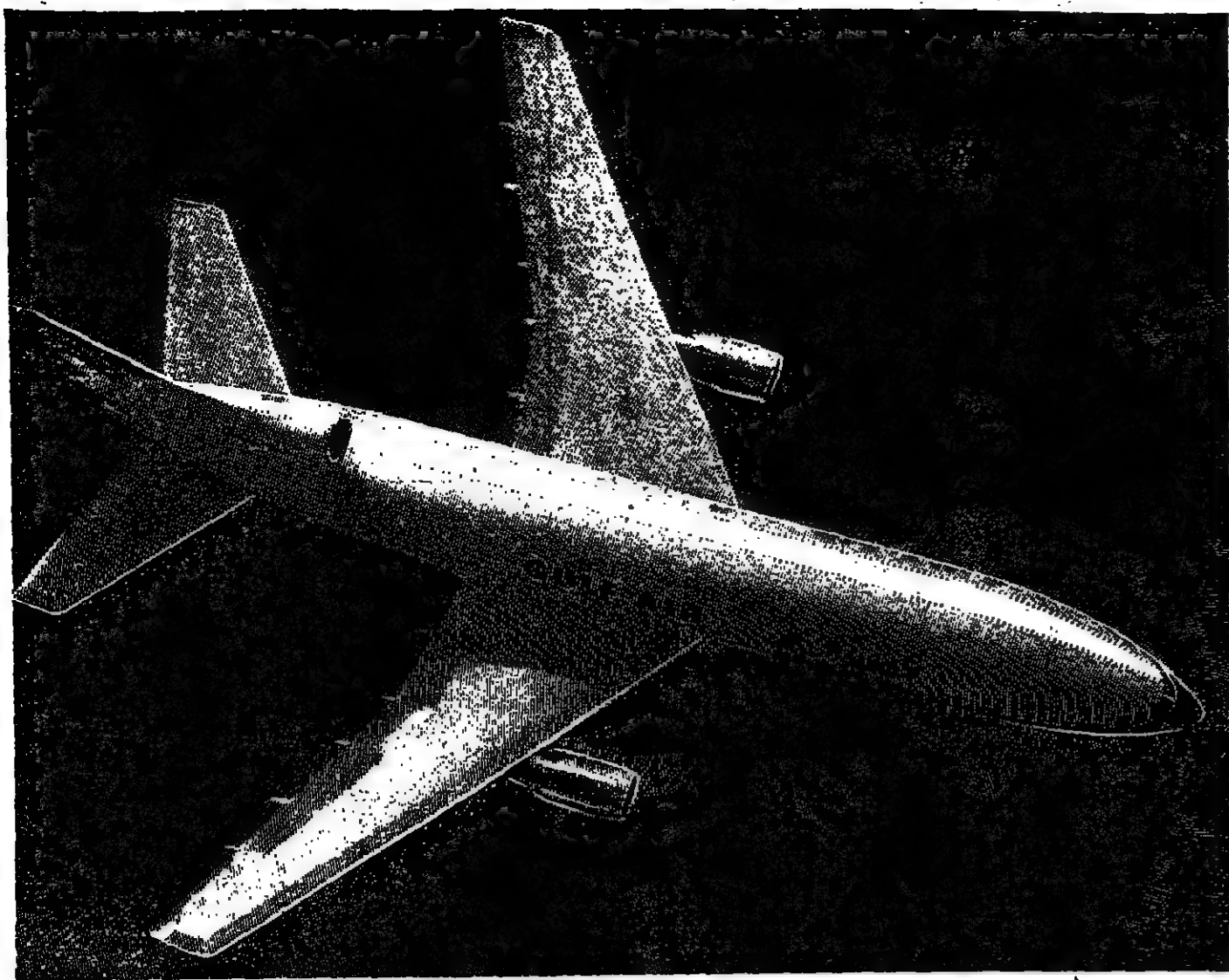
Although there is a very noticeable downturn in the construction industry, general bank lending to the contracting sector continues to increase. The BMA comments that much of this can be ascribed to the finance of completed "if not occupied buildings. Also some buildings, most notably the Holiday Inn and Diplomat Hotels, are taking longer to complete than originally envisaged. The banks report that letter of credit business and trade finance is still good even though trade finance, in an island which prides itself on a

trading and entrepot history, now accounts for just under a quarter of all advances.

Private deposits with the banks continued to grow during 1977 and interest rates remained stable. Money has come back into Bahrain from both Arab private sources—the Kuwaitis in particular finance a lot of private sector projects in the island.

This year, too, is likely to be uneventful for the Bahraini banking community. Like other sectors of the island's business community, the banks are looking forward to the autumn and the possible award of the construction contract for the Bahrain-Saudi Arabia causeway. Once that contract is awarded, many kinds of business based in Bahrain (not least the under-occupied hotel industry) will receive a psychological boost. And the banks, by then better organised and staffed and with the boom years 1975 and 1976 thoroughly digested, could start to market their services again.

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## BAHRAIN V

# A financial centre for the Gulf

A RECENTLY published tombstone, announcing a five-year floating rate loan of 50m. Saudi riyals for a Saudi industrial company drew attention to a growing sector of business for Bahrain's offshore banking units—the financing of Gulf-based companies in Gulf currencies.

At the end of last year the regional currency assets of the 30 plus operating offshore banks in Bahrain stood at around \$3bn.; at the end of last month, according to Bahrain Monetary Agency estimates, Saudi riyal assets alone stood at the equivalent of some \$2bn. As one of Bahrain's longer established offshore managers observed: "The dichotomy between official practice and commercial reality in some of the Gulf states has created business for us all."

The \$R50m. loan was unusual in that it was one of the few publicised and syndicated local currency borrowings for industrial users. Most of Bahrain's offshore banking units are still sufficiently asset hungry, according to one of them, and the amounts required sufficiently small, for syndication to be unnecessary.

## Venture

The \$R50m. loan was for the Saudi Arabian 'Amanit' Company, a joint venture between Saudi interests and the Swiss Eternit Company. The company produces asbestos cement pipes for irrigation and sewage and has a number of large contracts in the Kingdom. The rate was linked to the six months rate for Saudi riyal deposits in Bahrain, at present around 3.5 per cent. Other floating rate loans have been linked to the Jeddah interbank rate, but since the 'Amanit' funds were almost totally raised in Bahrain, decision to denominate the Bahraini rate was chosen. The banks involved were the Banque de l'Indochine, et de Suez (whose exchange problems branch in Al Khobar was the

OFFSHORE BANKS (\$U.S.m.)				
	Liabilities		Assets	
	1977	1976	1977	1976
Banks	11,770	5,536	11,478	4,480
Non-banks	3,513	598	3,705	1,734
Other accounts	418	80	518	54
Arab countries	8,254	2,578	7,065	2,487
Western Europe	4,995	2,277	3,903	1,129
Offshore centres	1,536	923	1,888	1,241
Other accounts	493	222	2,376	1,392
U.S. dollars	11,268	4,471	11,594	4,387
Regional currencies	3,567	1,169	3,241	1,196
Other	366	574	866	631
Totals	15,214	6,214	15,701	6,214

Source: Bahrain Monetary Agency.

agent bank). American Express, Gulf International Bank, Banque Arabe et Internationale d'Investissement, Gulf International Bank, Scandinavian Bank and the Union des Banques Arabes et Françaises (UBAF).

The regional currency business is mostly in Saudi riyals or Kuwaiti dinars, with small amounts of business being transacted in other currencies, the Qatar riyal, UAE dirham and Bahraini dinar. The recent growth in the Bahrain-based Saudi riyal market in particular has been partly due to Saudi fears of exchange losses in the sliding revaluation of the Saudi riyal against the dollar, up about 2 per cent since last August. Bahrain's equally deposit-hungry offshore banks for Saudi riyal deposits in Bahrain, at present around 3.5 per cent. Other floating rate loans have been linked to the Jeddah interbank rate, but since the 'Amanit' funds were almost totally raised in Bahrain, decision to denominate the Bahraini rate was chosen. The banks involved were the Banque de l'Indochine, et de Suez (whose exchange problems branch in Al Khobar was the

The contractors can now sell their riyals forward in order to fund themselves, or they can borrow against future riyal receipts and sell at spot into their own currency. The Saudi banks had little experience in this kind of business, and domestic restrictions prevent them from handling sizeable sums on behalf of individual clients.

The scale of Saudi riyal dealing is such that the Bahrain Monetary Agency is now experimenting with a clearing house system for Saudi riyal business, although communications with Saudi Arabia by both telephone and telex is getting easier, it is obviously more efficient to send a single message to Jeddah than a multitude.

There are now 36 operating offshore banking units based in Bahrain and a total of 43 have been licensed. The Saudi riyal business is only one sign of the fact that most of the OBU's in the two-year-old market are genuinely generating regional banking business.

Regional activity now accounts for over half the market and with liabilities in Gulf currencies, particularly the Kuwaiti dinar and Saudi riyal, touching the equivalent of \$3.6bn. at the end of 1977 compared to \$1.2bn. at the end of 1976. Liabilities to Arab countries in all currencies reached \$3.2bn. compared to \$2.6bn. at the end of 1976 and loans totalled \$7bn. compared to \$2.5bn. in 1976.

In terms of currencies the dollar comprised over 70 per cent. of all liabilities. Liabilities to European markets increased from \$2.3bn. to \$3bn. over the past year when assets in Europe rose from \$1.1bn. to \$3.9bn. at the same time. Business with the Asian dollar market, based on Singapore and Hong Kong, also showed some increase during 1977 with assets in both places reaching \$1.2bn. from \$0.5bn. at the end of 1976.

The BMA estimates that total assets of the offshore banks at the end of February were around \$17bn. and March may have seen the addition of a further \$500m. "Bahrain is beginning to demonstrate that it is big enough to service the needs of the surrounding Gulf states," observes an offshore banker. New names will be added to the offshore banking community in coming months but not at a very fast rate. The BMA is determined not to flood the market with newcomers just for the sake of size.

## Inquiries

Most of the world's major banks have already established offshore units in Bahrain, and new inquiries are coming from smaller banks associated with the region. The main Arab consortium banks, BAI, UBAF, European-Arab and Frab-Bank, all have establishments in Bahrain. Frab-Bank has just taken advantage of Bahrain's latest gesture towards offshore activity and established an exempt company, as has the new Arab joint venture bank, the \$28m. Gulf Riyad Bank which is a 60/40 joint venture between the Riyad Bank and Credit Lyonnais of France. And a significant feature of last year's business was the increasing activity of the Gulf International Bank, set up in late 1976 and owned jointly by Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman, Bahrain and Iraq. The bank's authorised capital is \$100m. and paid-up is \$70m. The offshore market in Bahrain is regulated by the BMA, whose main brief is to regulate the domestic banking system, to be responsible for the note issue, to manage the money supply situation and to look after Bahrain's investments. It requires the offshore banks to submit monthly statements of their business. The BMA reports directly to the Bahrain cabinet.

Since last October the Director-General of the BMA has been a Bahraini, Mr.

Abdulla Saif, who joined the BMA at the same time as Mr. Alan Moore who was seconded from Williams and Glynn to be the first Director-General. The credit for the offshore concept is largely given to Mr. Moore as it has grown. In addition to the regulations enforced by the \$25,000 annual licence, informal control is exercised through the good personal relationship between the two men at the BMA and the individual bank managers.

The speed with which the bones of the Bahrain offshore market were put together rather surprised the outside world. The question that was raised quite early on was whether Bahrain was going to be based on an Arab capital market. A number of the OBUs are operating in the securities markets and several of them have participated in the local currency bond issues raised in Bahrain. The largest of these was the BD15m. 10-year bond issue for Pemex, the Mexican State oil company which paid \$2 per cent. (the issue was put together by BAI in Bahrain).

The Bahrain Government launched a bond issue (the first ever Gulf "gilt") in the autumn of last year for subscription by local banks and financial institutions. This five-year issue, with a coupon of 8 per cent., was over-subscribed. Only BD10m. out of a possible BD30m. was offered and a further tranche is expected this coming autumn. It is now being argued in Bahrain that interest rates on local currency borrowings should be coming down which, compared with a rising rate on Eurodollar funds, should bring high grade borrowers to the area. It is also being suggested that a respectable number of securities houses will be established in Bahrain before the end of the year.

## Provisions

Last October, at the same time as the provisions for registering exempt companies in Bahrain were announced, the BMA put forward a new kind of limited banking licence (LBL). The first company to take up one of these licences (annual fee U.S.\$15,000) was a new locally incorporated investment bank, the Bahrain Investment Company (which is receiving technical assistance from BAI). The second will be Kleinwort Benson, which at present has a representative office in Bahrain that antedates any of the OBUS. Kleinwort is in the process of establishing an exempt company which will hold its LBL licence.

It is widely expected that another Bahraini dinar bond issue will be launched before the middle of the year, reviving once more the question of the Arab capital market and the absence of a secondary market in Bahrain. During the minor revaluations of the Qatar riyal, Bahraini dinar and UAE dirham earlier this year, a limited amount of trading in the existing BD bonds did take place. The existence of the Arab company for Trading in Securities in Kuwait (ACTS) has led to increased activity in bonds there, and ACTS is keeping an eye on developments in Bahrain.

That Bahrain's offshore banks are keen to handle marketable paper has been reflected in the eagerness with which they took over ALBA's revolving dollar credit from London. ALBA was paying about 14 per cent. over London interbank offered rate, and the margin has now been cut to 1 per cent. Once there is a flourishing secondary market in Bahrain doubtless other services will develop too.

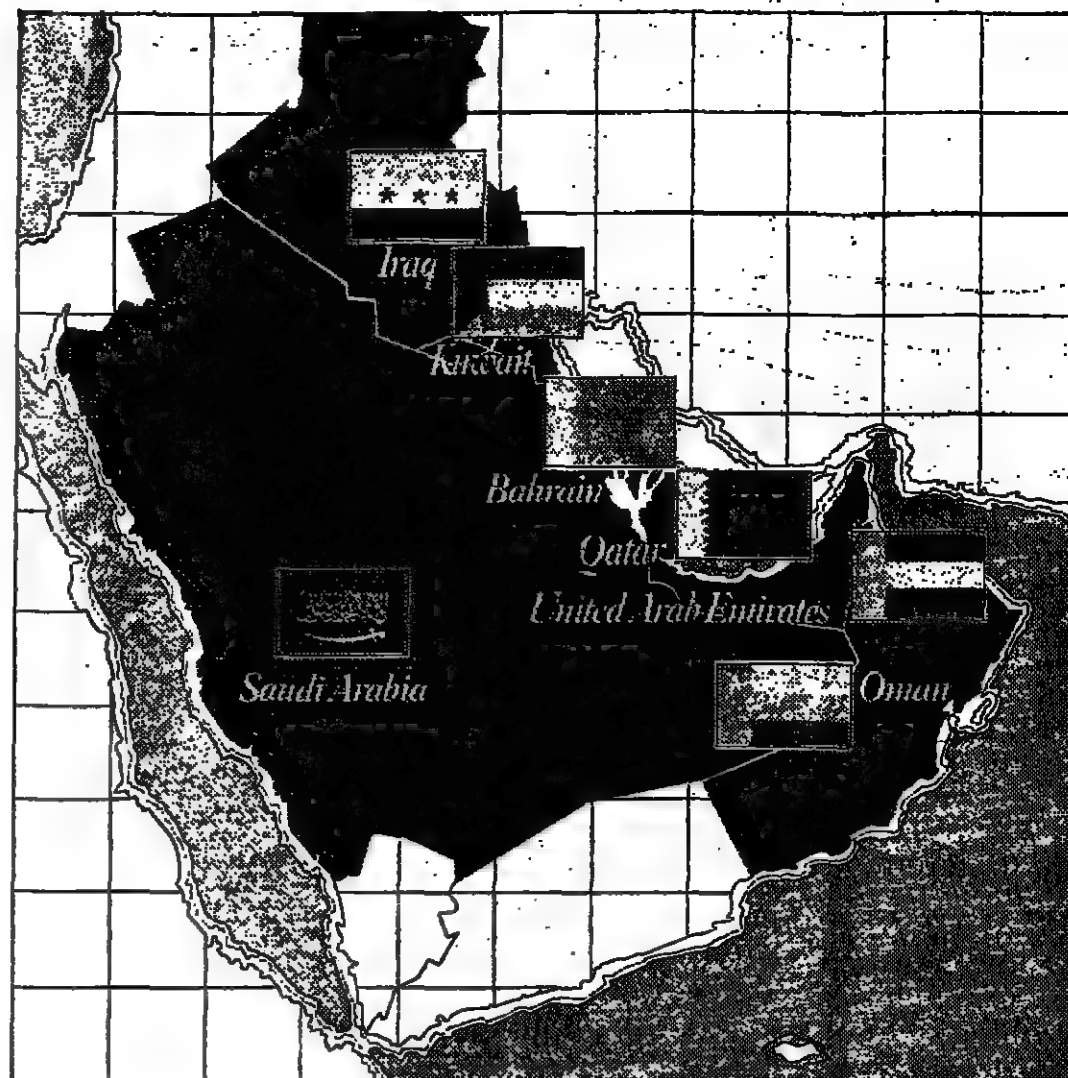
When in self-critical mood Bahrain offshore bankers comment that the market at the moment lacks depth in the foreign exchange business — trading on Fridays, Saturdays and Sundays is rather slack — and that more "technicians" are needed. Many of them have completed almost two years' service in Bahrain and are now planning the expansion of their operations. The Bank of America has probably the most ambitious expansion plans of all, including a computerisation scheme that is likely to cost it around \$250,000.

As the outside world takes the Bahrain market more seriously — and now even the Saudi Arabian Monetary Agency is taking an interest in the rates being offered — it will gradually broaden the range of financial services on offer. Observers note that the Bahrain Monetary Agency is doing its homework on insurance and reinsurance business.

Doina Thomas

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## BAHRAIN VI

# Aluminium output at a high level

BAHRAIN'S ALUMINIUM smelter, Alba, has now been operating for seven years and is in the midst of a process of change. The first visible manifestation is a rash of redundancies.

This year has seen the appointment of a production man as general manager, with a determination to meet the challenge of making metal more cheaply and efficiently. It will also see radical changes in the marketing structure, and a decision on whether or not to go ahead with a BD30m. expansion.

Little more production can be squeezed out of the original plant, already running at just above its rated capacity of 120,000 tonnes, according to former plant manager Gudvin Tofte, who took over as top executive of Alba in February when his predecessor Ian Livingstone resigned to manage the rival smelter now being built in Dubai.

The construction of one more petroom should allow a production increase of 35,000 tonnes within the present infrastructure. The expansion would involve an extra four turbines at the power station, to boost the 300MW generating capacity by a further 73MW, and some modifications to the carbon plant and caskhouse.

A large stockpile of aluminium ingots has been a feature of the landscape at the Alba smelter for the past two years. Passers-by are apt to conclude that business is bad—but in fact the 50,000 tonne stockpile at the end of 1977 was roughly the same as at the beginning, so the whole of the year's production of finished metal was sold.

### Appropriate

When the Bahrain Government in January 1978 increased its shareholding in Alba to 77.9 per cent, by buying out British Metal Corporation (17 per cent) and Western Metal Corporation (5.1 per cent), it was considered appropriate to set up a marketing organisation to handle the Government's share of the metal, instead of allowing it to be sold by Amalgamated Metal Corporation as agent.

Mr. Sandy Ross-MacDonald was brought in from Rio Tinto Zinc as commercial manager, to work solely for the interests of the majority shareholder, but within the physical confines of Alba as a production company. He also purchased raw materials for the plant.

That structure will no longer continue. It was decided last year to have off the marketing organisation as a separate corporation trading under the name of Bahrain Aluminium and with its own offices in the island's capital, Manama.

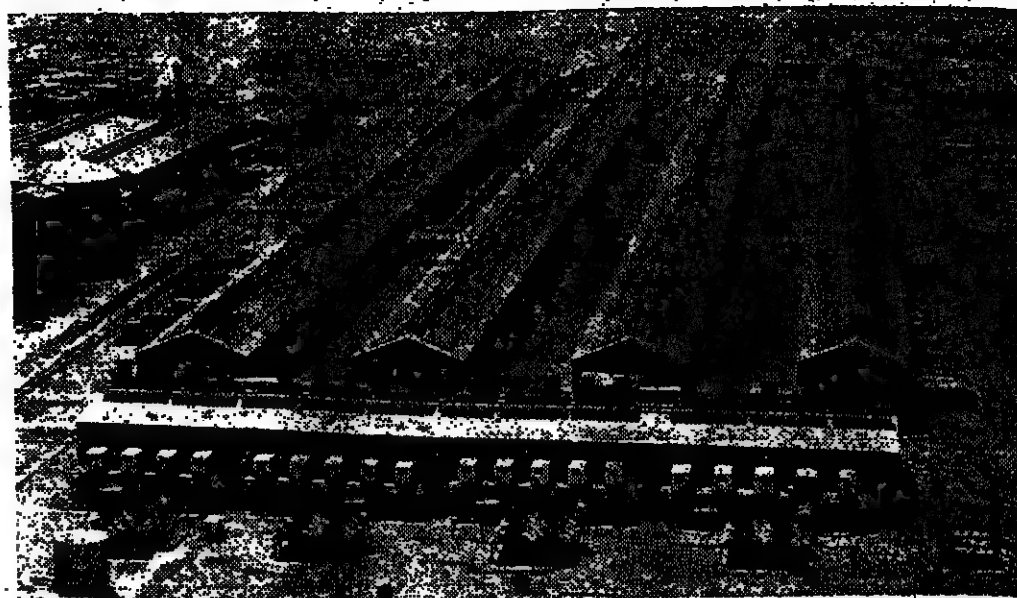
The decision to stockpile made it possible to ship huge tonnages of metal at short notice, and to resist a poor price when the market declined. The aluminium majors, commented Mr. Ross-MacDonald, tended to defend their cash flow rather than go for a profitable price—but in fact low prices did not boost world consumption.

"One advantage of being an Arab Government-based company is that we do not suffer from the cash flow problems of the majors, so we have tended not to commit the output. We sell only spot metal, and if our offers are not accepted, we stockpile." This risky short-selling policy seems to have paid off, although the size of the stockpile has grown on occasion to 75,000 tonnes, almost 10 months production, against the world average of under four months.

The trading pattern for Bahrain aluminium has shown a marked growth, over the past two years, of shipments to other Arab states: 22,000 tonnes in 1977 against 6,885 tonnes the previous year. Japan is still the biggest single importing country, but total shipments to the Far East dropped slightly from 63,304 tonnes to 58,000 tonnes. Europe took less than a third of its 1978 purchase of 6,319 tonnes, and sales to the Americas and South East Asia accounted for less than 10 per cent of production.

The market value of the 1977 finished metal production of 121,356 tonnes was estimated at \$125b.45m, more than the previous year, thanks to an upward move in market prices during the first six months of 1977. Shareholders must take their quota of aluminium at a price calculated to meet Alba's net cash requirements, whatever the going rate on the market may be.

The level of profitability in from one day to the next simply value added terms rather depends on how the accountants do their arithmetic. If from the market value of saleable production they deduct only the cost of imported raw materials, to go, the high turnover among and BD8m. higher than if all Bahraini employees will prob-



The Alba aluminium smelter

ably make local redundancies— and awkward political repercussions—unnecessary. Alba is proud of the fact that the most critical operations of the smelter—the power station, the caskhouse and the reduction process—are in fact run by Bahrainis, but Mr. Tofte has rejected local press reports that all senior positions will be Bahrainised by 1980 as "impossible."

The Minister for Development and Industry, Mr. Yusuf Shirawi, has said that in view of the financial, economic and manpower restrictions in Bahrain, it is unlikely that any more heavy industrial projects will follow the smelter and the dry dock for at least five years. Current development plans centre around spin-off industries, both from aluminium and ship-repairing in Bahrain, and from the huge industrial projects in Saudi Arabia's Eastern Province.

Three or four projects associated with aluminium are already off the ground. Bahrain Atomisers International Telling was set up near the smelter in

1973, and uses molten metal for the production of aluminium powder, mostly for export. It has a capacity of 3,000 tonnes annually.

The majority shareholder with 51 per cent is the Bahrain Government, and the remainder of the shares are owned by Breton Investments, which has the management contract and take most of the production for use in the manufacture of paint, metallic links and explosives.

Baleco, a wholly-owned Government company making aluminium extrusions, went into production in August 1977 and sold 400 tonnes of extrusions by the end of the year. The target for 1978 is 2,500 tonnes, towards the planned capacity of 3,000. The local demand for extruded aluminium section is estimated at only 800 tonnes annually, but the export potential in the Gulf is encouraging.

The next logical step for the aluminium industry would be a rolling mill, but a large-volume project of this nature is still viewed with caution.

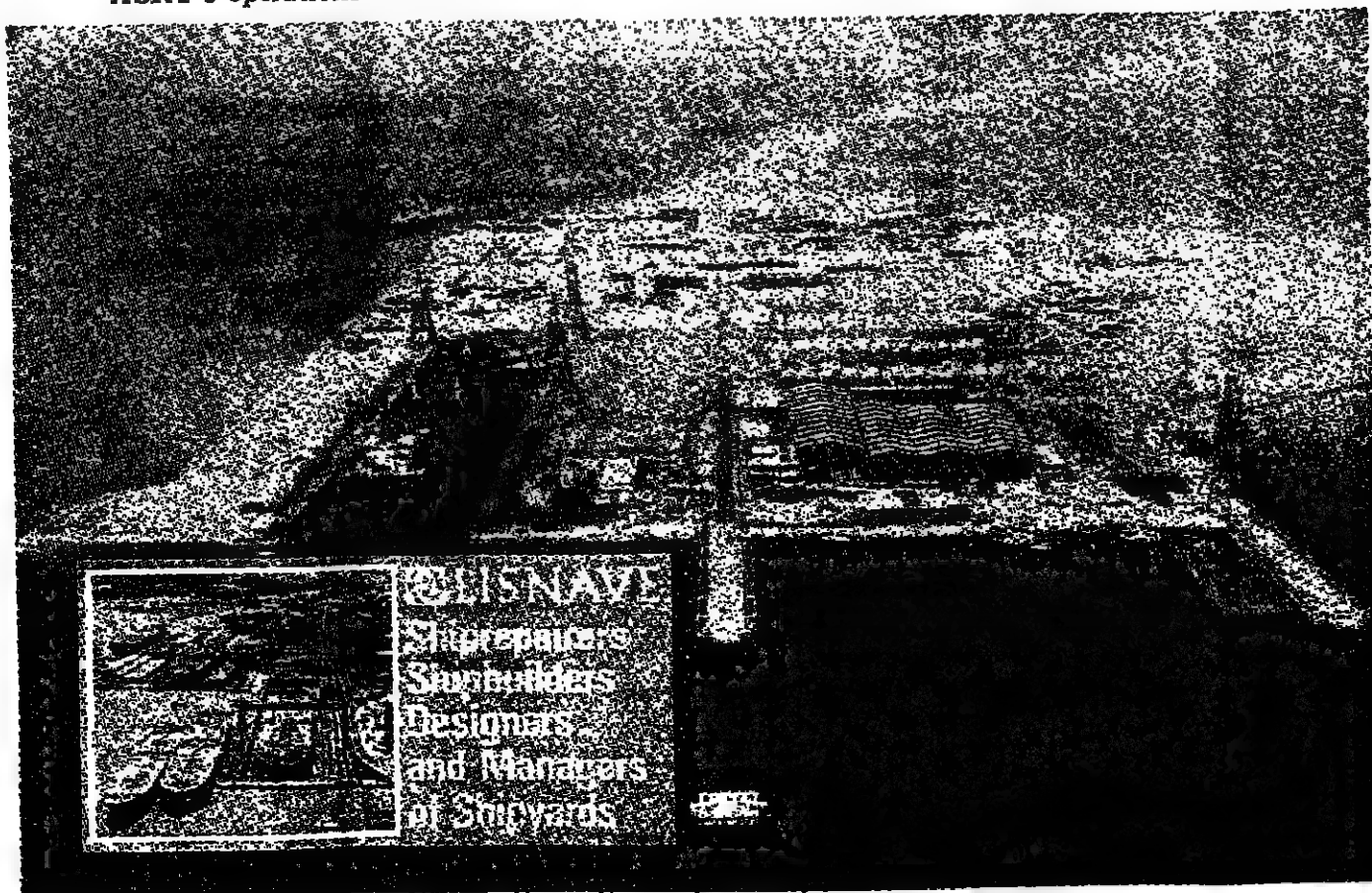
Mary Frings

# LOOK

## At the new Bahrain Shipyard

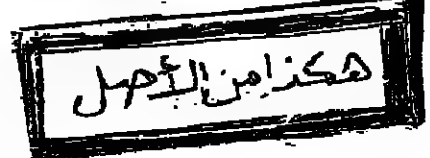
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## BAHRAIN VII

Declining imports  
reduce inflation

IN THE AUTUMN of last year the four-year-old import-fed economic boom in the Gulf oil exporting states was proclaimed dead by the merchants who had made fortunes in its course.

The Gulf's traders began to complain that their banks were not lending enough money to finance the imports and that their governments were not starting enough new projects to keep up the import levels. Now that the 1977 figures are available for many Gulf states, the decline in the rate of import growth is seen to be dramatic but not on the scale indicated by the merchants' cries of doom and disaster.

The drop in imports is also physically evident. On one particular day in November last year a Gulf-wide shipping agency reported that there was not a single ship waiting to berth outside any Gulf port. In the same month in 1976 ships were waiting for between 20 and a 100 days for a berth. Now, as often as not, there are empty berths in the newly extended and still expanding ports. And, on land, outside the Gulf's ports, roadside trailer parks have sprung up because there are not enough goods coming in to occupy the transport.

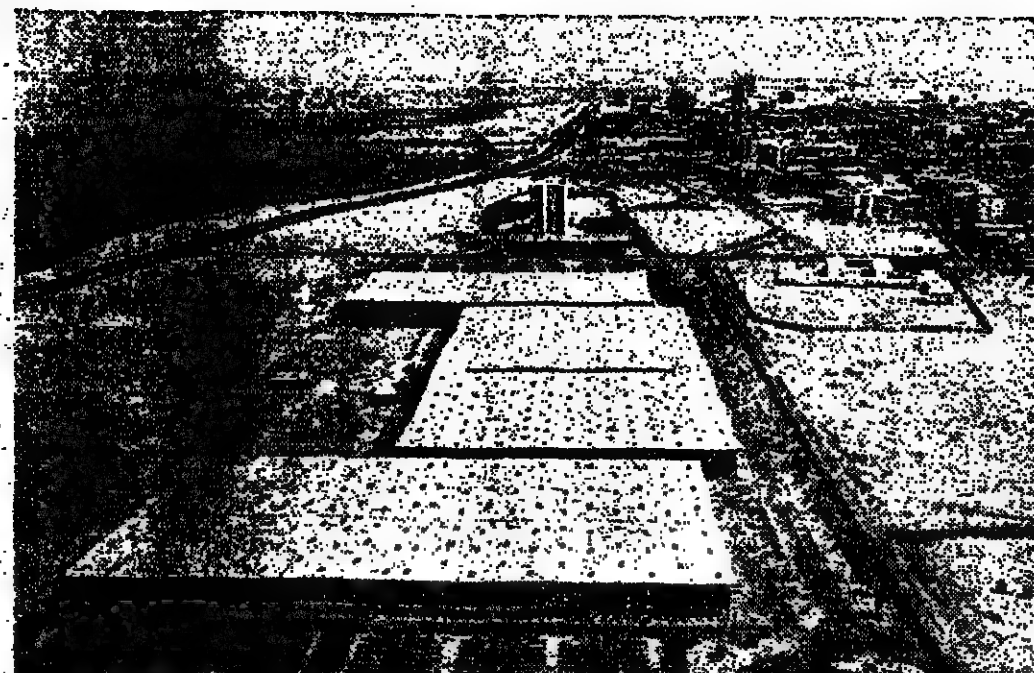
From the Gulf Governments' point of view the slowdown was eminently desirable. Every time the merchants raised the spectre of "recession" the governments countered by portraying the advantages of "consolidation". The countries could neither physically nor administratively cope with the rate of expansion experienced during 1974-76. The slowdown in imports was also accompanied by a marked decline in the rate of inflation. The official catch phrase was that the Gulf states were settling into "more stable growth patterns".

Bahrain, with cautious spending habits born of a very modest oil income, experienced the boom a year later than the other Gulf states but kept time with them for its decline. In response to highly vocal and well publicised pressure from its merchants through the Chamber of Commerce, the Bahrain government set up a high-level committee of businessmen and ministers with the ostensible purpose of studying ways to revitalise an economy the government was quite happy to see flag.

## Growth

The committee, which was set up in midsummer, was in reality a medium through which the government attempted to convince the merchants that slower growth was good for them as well as the country. Bahrain's Minister for Commerce and Agriculture, Mr. Habib Kassam, was last year publicly quoted as saying that the growth rate of Bahrain in the previous two years was "abnormal" and that the country was returning to pre-oil price rise levels of business. The Bahrain economy is probably the most diversified in the Gulf and has never relied on oil revenues to the same degree as the bigger producers.

The 1977 figures show that Bahrain's import bill at \$1.1bn. went up by only 15 per cent. compared with 1976 when it had risen by more than 60 per cent. over the previous year. (In Dubai, Bahrain's rival as a trading state, imports for 1977 increased by 35 per cent. the same figure as for the previous year.) As in 1976, the rate of increase in bank lending kept pace, over 60 per cent. higher in 1976 and just over 16 per



The new covered market in Manama

cent. last year. Imports in the second half of last year dropped by 9 per cent. compared to an increase of just under a third in the same period of 1976.

The reason for the decline in imports is two-fold. For Bahrain the most important point is that the major construction projects such as the \$340m. dry dock, the 600-bed hospital, the private Bahrain New Zealand bulk food importing and handling company BANC gets into business.

The second reason is the expansion and increased efficiency of Mina Sulman itself. Dockside congestion at the ports during the period from 1975 to 1977 was a considerable factor in delaying the entry of new goods. A programme of forced auctions of cargo which had cluttered up the docks for more than a given period of time, plus imported South Korean labour and the increase in berth capacity from six to ten for vessels up to 20,000 tons sorted out Mina Sulman's problems. The traders of Bahrain can now order for consumption rather than stock and the market pattern of gluts and shortages in different categories of goods is beginning to even out.

The three major categories of imports for Bahrain all relate largely to the construction industry: machinery and transport equipment, manufactured goods as classified by materials and miscellaneous manufactured goods which category embraces such items as sanitaryware, furniture and professional and scientific instruments. These accounted last year for nearly four-fifths by value of total imports.

However not all goods imported by the island's traders are for local consumption or use. Bahrain has always prided itself on its entrepot role, particularly in relation to the Eastern province of Saudi Arabia. (This role is likely to increase in importance with the coming of the Bahrain-Saudi causeway as Mina Sulman is probably the most sheltered deepwater port in the Gulf.) The island is also increasingly becoming an exporter of semi-manufactured goods—such as the aluminium ingot produced by Bahrain Aluminium Extrusions company from the aluminium ingots of Aluminium Bahrain.

Exports have risen in value from around 27 per cent. of imports in 1975 to about 35 per cent. for the past two years.

The export figures conventionally do not include exports of oil, refined or crude, but do include Aluminium Bahrain's sales of ingots. Albs had a very good year in 1977, selling virtually a full year's production of 120,000 tonnes, mostly to Japan. Re-exports should also increase once the joint Bahrain New Zealand bulk food importing and handling company BANC gets into business.

One of the recommendations of the government/business committee which studied the economy was that goods for major projects, or major companies, should, where feasible, be ordered and bought through the local agents. When the contract to build the gas gathering facility was awarded to a Japanese company, it was firmly stated that the company, when sub-contracting, must consider using local companies.

At present stock levels in Bahrain are high, especially of construction materials and equipment. One importer of heavy equipment has about 50 heavy duty fork lift trucks in stock and annual demand appears to have settled at about three machines. A furniture retailer who enjoyed good business in 1976 and 1977 believes he has sufficient stock for two years at present levels of demand.

The high levels of stock and the comparatively low level of business activity has created a buyers' market and Bahrain's merchants are beginning to learn the 20th century techniques of marketing. A cash discount card club has been set up in the island and a good many retailers and restaurateurs will now accept it. The first merchants to venture into positive marketing of their goods were the various car agencies. Last year the British Kitchen furniture manufacturer Hygena organised a "Win a new kitchen" competition which proved popular. This is in complete contrast to the traditional Gulf method of selling which was to sit in a shop until a customer came in, haggle a little, and maybe do a deal.

In the course of this year it seems likely that those exporters who can assist their local agents in the selling of their goods, as opposed to simply obtaining them, which was 1976's problem, will do well and win friends. But the merchant community in Bahrain is pinning many of its hopes for new business on the possible award of the contract for the \$800m. Bahrain to Saudi Arabia causeway. The contracting personnel, the specialist advisors and the labour force will represent a whole new grouping of consumers in need of accommodation, transport, food and entertainment.

It also probably enabled the company to create an attractive bid offer. But it did not make the company popular

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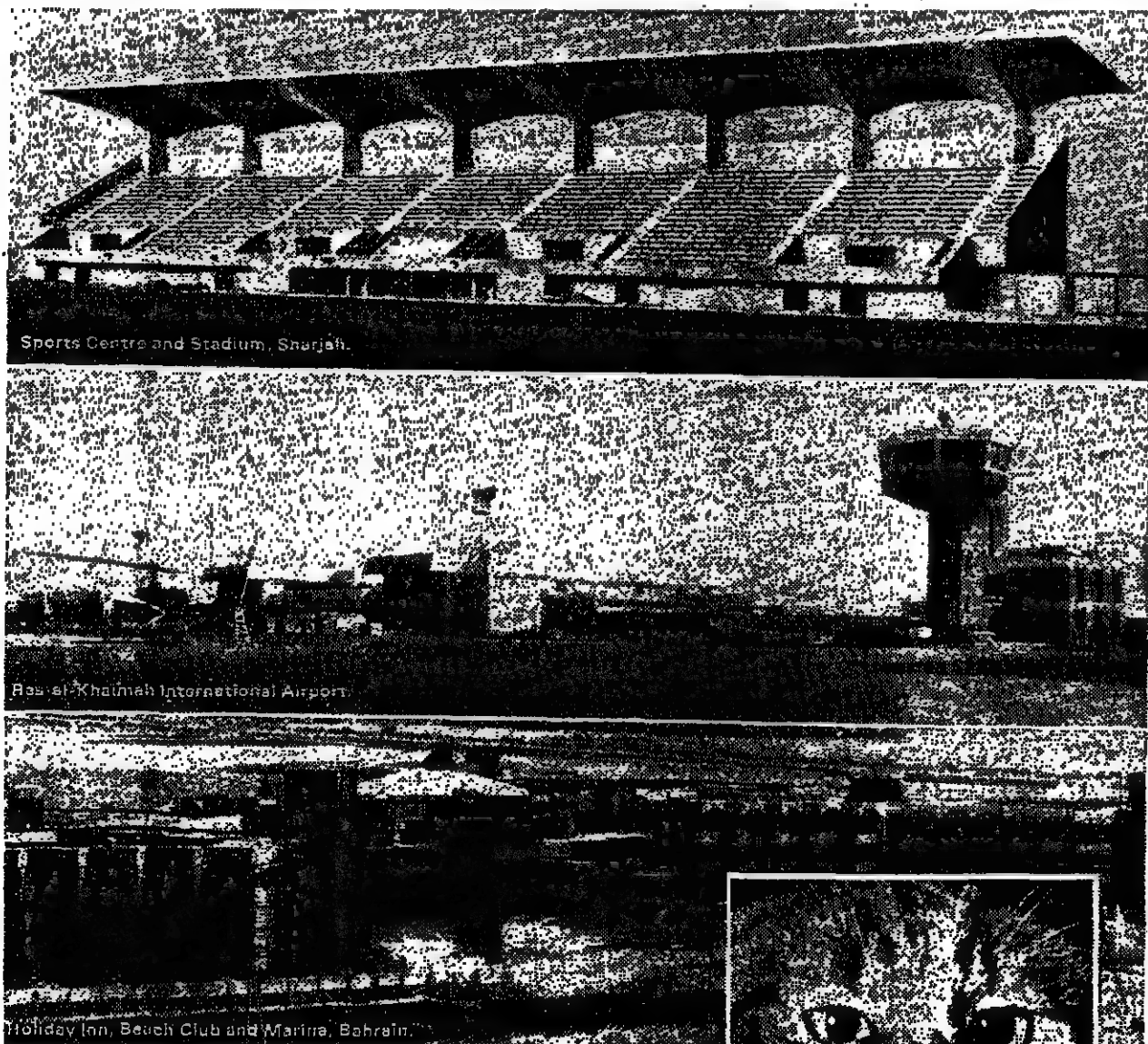
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**Banque Arabe et Internationale d'Investissement (B.A.I.)****BAHRAIN VIII****Oil reserves are  
running out**

THE SEARCH goes on, but prospects are dim, if not grim. The central fact is that Bahrain is running out of oil. Indigenous reserves are expected to last only 20, possibly 25 years, and the four most recent wells to be drilled were dry.

However, this does not mean that Bahrain will immediately cease to be regarded as an oil state: the country will continue, if present arrangements are maintained, to be deeply involved for a much longer time in the hydrocarbons industry, through its half-share in the Saudi-operated Abu Saifa field, through the revenue it derives from the Bahrain Petroleum Company's refinery, and through the production of the natural gas it uses to fuel its industry.

Bahrain is one of the oldest producers of oil in the Middle East: its first commercially productive well went on stream in 1932 and was the first on the Arab side of the Gulf. However, the country's reserves were never big enough to produce the scale of wealth enjoyed by many of its neighbours.

For example, its current daily production of about 58,000 barrels is only about 3 per cent. of Abu Dhabi's. And while Bahrain must spread its revenue over an indigenous population of 220,000, Abu Dhabi can use the proceeds from its 33 times greater output for the benefit of a much smaller indigenous population. And while Bahrain's economy is the most widely diversified in the Gulf, oil and gas still account for about 58 per cent. of its revenue.

**Negotiations**

This need—to use well what is left—is the reasoning behind the Government decision, made public only ten days ago, to take complete control of oilfield resources. Negotiations with the operating company, the Bahrain Petroleum Company (Bapco), a subsidiary of Caltex of the U.S., have been concluded, and the official announcement of the takeover, which will be backdated to January 1, is imminent. It will replace the 60-40 takeover agreement concluded three years ago: the Government will take 100 per cent. ownership and control of crude output, local marketing of refined products, and gas output—hitherto controlled by Bapco. Bapco's refinery, for which oil piped from Saudi Arabia represents three-quarters of throughput, is not affected, although the State is expected to continue to receive per-barrel royalties on refined products. The State is also expected to benefit from the deal in money terms by \$4m. to \$5m. a year.

Official Bahraini thinking behind the move is that whereas Bahrain urgently needs to see that oil extraction is maximised and exploration continued, Bapco's owners, who have other major sources of crude, might not be as keen to exploit Bahrain's meagre resources, especially with a much costlier process. One high Bahraini official, while emphasising that he was using hypothetical figures, put the case this way:

"Suppose the world price of oil is \$12 a barrel and that oil from a good well costs 50 cents to produce. Then suppose that some of Bahrain's oil can only be extracted by using methods that raise production costs to \$3.50. Some people might find this not worth the effort. Bahrain might consider a profit of \$8.50 a barrel very worth its while."

Bapco's retiring president, Mr. Walt Stolz, touched on the subject when he addressed the company's recent annual management luncheon. He said that the company's proposed exploration programme was designed to test all known potential areas within Bapco's responsibility. A reservoir study team had visited Bahrain to evaluate the field and suggest ways of maximising production, as economically as possible within the world price structure. In this context, Mr. Stolz said, the team was investigating more exotic means of production.

Referring to the relationship between Bapco and the Government, Mr. Yousuf Shirawi, Minister for Development and Industry, recently told the Gulf Weekly Mirror that "we first started talking to Bapco's parent company... 50 years ago, in 1928. Over the years there have been many changes and Bapco has had the resilience to change with the situation."

The reason the Government continues to show little interest in acquiring a stake in the refinery, the oldest in the Gulf, is entirely financial. Bapco has spent substantial sums recently on modernising its facility, and maintenance is now said to be running at nearly \$25m. a year. Indeed, a senior government



The Bapco oil refinery

official, after pointing out that the State was in a position to take over part or all of the refinery if it wanted, said: "The reason we don't is purely on economic grounds."

Bapco's annual report for 1977 is now with the Government for study and has not yet been published. However, Mr. Stolz told the management luncheon that the refinery, which has an official rated capacity of some 250,000 barrels per day, had throughput in 1977 of an average 261,000 b/d. This compared with 1976 and 1975 figures of 318,000 and 221,000 respectively. Sales of liquefied petroleum gas and asphalt also hit record highs, Mr. Stolz said. Revenue to the State from the oilfield in 1978 is estimated in the national budget at \$187.5m, with buy-back revenue accounting for \$122.5m. (under the existing 60 per cent. participation agreement) and with royalties and taxes on Bapco's 40 per cent. share and refinery throughput accounting for the rest.

The other major instance of Bahrain's drive to maximise its remaining resources is its \$90m. project to gather and process associated gas, the gas which comes to the surface with the extraction of oil and which in Bahrain is still being burnt-off or dissipated into the air at a rate of 100m. cubic feet per day. The aim is to gather this gas and manufacture about 280,000 tons of propane, butane and naphtha for export annually, starting in 1980. Estimated revenue has been put as high as \$35m. a year, but government officials stress that, because marketing arrangements have not been finalised, precise estimates cannot be made. However, the Government has enough confidence in the project to predict that it will be able to repay the loan needed to finance the major

**Involvement**

As known indigenous oil reserves continue to decline by 34 per cent. a year, and with them the supplies of associated gas, the mainstay of the country's future involvement in the hydrocarbons industry will take on even greater significance. These are the country's reserves of non-associated gas (natural gas) and, more importantly, Bahrain's Saudi connection.

Bahrain's oil field is mostly in shallow zones which lie about 2,300 feet below the surface. However, about 8,000 feet further down lies what is known as the Khuff zone, the main source of the country's natural gas.

Reserves are now estimated at between 7,000bn. and 9,000bn. cubic feet, and current production is averaging about 332m. cubic feet per day. About a third of production is used for power at Bahrain's aluminium smelter, a quarter for re-injection into wells to facilitate

oil extraction, a fifth goes to the refinery, and most of the rest is used for the generation of domestic electricity.

The future of Bahrain's oil industry lies ultimately in its country's continued good relationship with its big, oil-rich neighbour, Saudi Arabia. As mentioned above, Saudi crude represents 75 per cent. of refinery throughput. The crude is transported from the mainland by submarine pipeline, a system established by Saudi Arabia in 1945 and upgraded on two occasions to meet Bapco's expanding requirements.

But even more important is the contribution from Abu Saifa, the off-shore field that lies between the two countries. Bahrain's 1978 budget lists Abu Saifa revenue at \$205m., a figure greater than the \$190m. given for Bahrain's on-shore revenue, which includes royalties from Bapco's refining of Saudi crude. Production at Abu Saifa is exclusively Saudi, with no participation by Bahrain, and the arrangement depends only on the Saudi pledge to share its revenue.

Bahrain is the most economically diversified State in the Gulf, and the Bahrainis are making strenuous efforts to widen further their country's economic base. The hope, of course, is that as they become more successful, oil and gas, while still very important in the short-term, will grow progressively smaller as a proportion to the country's expanded revenue from other sources.

If Bahrain is truly successful it may become the model for other Gulf countries, all of which, while much bigger producers, have to face the fact that their oil reserves are finite too.

Larry Klingner

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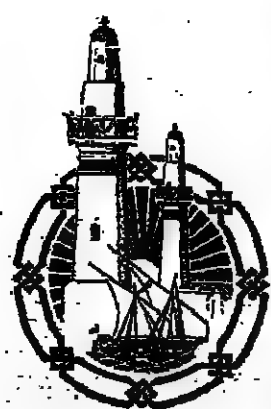
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# Construction boom is over

THE BOOM IS over, but opportunities do remain, and there is one \$800m. chance of revival which seems to come nearer to certainty day by day. That is the view of the construction industry from Bahrain.

It is no good repeating the often-made, even though true, observation that there are fewer half-completed buildings with idle cranes and cement mixers in Bahrain than anywhere else in the Gulf. The trend here is the same as in most of the Gulf states. Talk to consultants, contractors and engineers, expatriate or indigenous, and the story is the same: those big projects still going up were begun during the boom; there are few projects of any scale being started now.

Bahrain's big-project era of the last three years was impressive, not least because of the small size of this 250-square-mile island state of a quarter-million people: a \$340m. dry dock and ship-repair yard, a \$112m. port expansion, a \$125m. sewage project for metropolitan areas, a \$41m. 600-bed hospital, an extra million square feet of office space and 2,500 new hotel rooms of international standards.

The central fact remains, however, that all of these developments are either complete or will be by the end of next year, and that there are simply no projects of sufficient size scheduled to replace them. Except for one—one on which a final decision to proceed would change the situation in Bahrain overnight.

That project is the Bahrain-Saudi Arabia causeway, a 15-mile, four-lane expressway connecting island with mainland over a series of embankments and bridges. The cost has been officially estimated at \$800m., but unofficial construction and banking sources in Bahrain are saying that if the steep upward trend in labour and material costs continues the price could rise to \$850m. or above even if completion was on schedule.

These sources quote figures for the Bahrain drydock scheme, which saw its original official estimate of \$150m. rise to a completion cost of \$340m. However, given the firm commitment of Saudi Arabia, there is no doubt that a higher cost can be met: \$800m. could be comfortably covered by a fortnight's Saudi oil revenue at current prices.

In rumour-rife Bahrain one hears many an argument over whether the causeway will ever be built. The cynical have already dubbed the project the Channel Tunnel of the Gulf. Indeed, there are several political, business and socio-religious considerations that only in the fairly recent past would have seemed to rule against the physical linking of the relatively liberal Bahrain with the strictly conservative Saudi Arabia.

## Procedures

These considerations were acknowledged in a paper presented to the International Conference on Marine Technology and the Gulf in Bahrain last November. In the section on border control (which would be a jointly operated facility where the causeway crosses Umm Nusan island near the west coast of Bahrain), Dr. N. M. al-Saloom, Under Secretary at the Saudi Ministry of Transport, said:

"The border station procedures adopted can either be strict with every vehicle being checked or lenient with only a sample of the vehicles being checked... For lenient control procedures the layout will be much smaller, requiring a staff of about 195 by year 2000, as against 1,185 for strict procedures."

However, there now seems little doubt that the project will go ahead. In an interview with the Financial Times, Mr. Yousuf Shirawi, Bahrain's Minister for

Development and Industry, outlined progress made so far on the project and the envisaged time-scale for completion.

—Site investigation. Mr. Shirawi said, would be finished in April or May.

—Evaluation of the study would be complete a month later.

—The drawing-up of pre-qualifying conditions for potential bidders had already begun, with a basis for selection expected to be complete in July.

—Invitations for bids would be dispatched in August or September.

—Quotations for the actual design could be expected in October.

—Contracts could be awarded early in the year, with first work starting in March or April.

—There would be separate contracts for road works of about six miles to connect the causeway on the west coast of Bahrain to the port on the east coast and for roadworks of between 1 and 1½ miles in Saudi Arabia to connect the causeway with existing roads leading to centres in northerly and easterly directions. Specifications for these two projects would be ready in September or October of this year.

—Completion of the causeway would be in about 4½ years' time, in late 1982 or by mid-1983.

Mr. Shirawi said that many consortia had already approached the two Governments, "some with noise, some more quietly." Asked about pre-qualifications, Mr. Shirawi would only say that "anyone can propose, but that is not the same as pre-qualifying."

The consortium displaying its interest most openly has been the one disclosed by Mr. Adnan Khashoggi, the well-known Saudi businessman whose Triad multi-national is closely involved in the Saudi economy. This grouping, which includes the British Steel Corporation and Tarmac, proposed making a

\$1bn. bid to build not only the causeway but also the new town associated with the project.

This new town—which would house most of the causeway workforce and then provide low-income housing for Bahrain—is only one example of how the causeway would lift the domestic construction industry. The associated roadworks is another obvious example.

## Spin-off

Other areas in which the spinoff would most likely lead to new construction include week-end housing for mainlanders, more hotel space for people en route to and from Saudi Arabia, additional roadworks to cope with the traffic generated by the causeway, port expansion, and, of course, improvement of public services such as electricity and water to cope with the influx.

Dr. Saloom estimated daily traffic on the causeway in 1983 would be more than 8,000 cars and 600 lorries, expected to rise to more than 29,000 and 2,600 respectively by the year 2000.

However, even if the big-project boom is gone, there remains room for the small and medium-sized contractors willing to brave difficult working and supply conditions and stiff contract terms. Every Bahraini official one speaks to will emphasise that their two-year-old policy of insisting on lump-sum, fixed-price contracts remains unchanged, an indication in itself that Bahrain feels its construction prospects are still sufficient to draw the bidders.

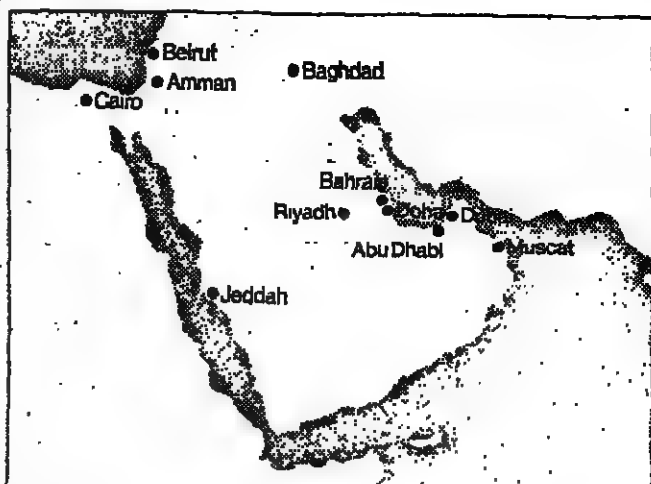
"It's tough in the Gulf," an Australian consulting engineer said with heavy irony as he and his girlfriend were tucking into their lobster in one of Bahrain's more expensive restaurants. Which was at the least another indication that some people are still doing well in the construction business.

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# Manpower problems

ONE OF THE first American oilmen in Bahrain found the local labour not only unskilled, but "illiterate, impoverished, undernourished and diseased." Yet by 1940, the same writer observed Arabs working all over the refinery, in maintenance squads under their own foremen, as machine helpers, truck and tractor drivers, hoist operators, pumpers, gaugers, carpenters, pipe fitters and welders.

Four decades later, the aspirations of a healthier and more educated generation have progressed to training abroad and rapid promotion to supervisory status, preferably behind an office desk.

Bahrain has one of the highest literacy rates in the Arab world, at around 50 per cent. It comes behind only Lebanon and Kuwait, according to UNESCO figures, and this has been achieved in more than half a century of public education, years in advance of other Gulf states. But is the educational system getting results, in response to present-day needs? Educationalists are beginning to re-examine their objectives, and to consider possible changes of emphasis.

Walk down any street in the capital, Manama, and you will see as many foreigners as Bahrainis. Immigrants make up 60 per cent. of a workforce of close on 100,000. Although a high proportion of Asians carry out the "coolie" labouring and the menial jobs which Bahrainis will not do, there is more concern about the middle and senior levels of technical and professional skills.

## Impatience

Bahrain's labour authorities are showing increasing impatience with the pace of Arabisation at these higher levels, and disillusionment with the results of national training initiatives has tended to make them hold individual employers responsible for what they regard as half-hearted efforts to equip Bahraini workers for better-class jobs.

Within the past two months, work permits for the dependants of Western and Indian workers already in Bahrain on contract have been hard to come by. And when skilled jobs fall vacant, applications to bring in experienced staff from abroad have been refused, on the grounds that a suitable Bahraini is available. Opinions diverge on who is suitable. If an international bank needs a credit officer with 15 years experience in overseas branches, they are unlikely to want to employ someone who is

promising executive material only on paper.

A top official is reported to have complained in one such case that no Bahraini could hope to meet the criteria. He was correct only in so far as no Bahraini could do so now. An expatriate with insufficient background would not be offered the job either. But a Bahraini could certainly achieve it in ten or 12 years time, if he had the patience and application to work his way up. Preferably, some employers add, with the single-mindedness that would keep him clear of a second-string contracting or trading business conducted in the afternoons.

The labour authorities obviously intend to give employers enough of a jolt to remind them of their training responsibilities, while indicating that they will not pursue an ideal to the extent of jeopardising efficiency. They are rightly concerned that some firms find it easier to hire abroad than to making serious efforts towards developing local expertise.

No definitive figures are available on the number of expatriates in Bahrain, but the percentage on a local population of 0.25m. is low compared with other Gulf states. Estimates vary between 50,000 and 70,000, plus dependants of the longer-term immigrants. It is an interesting theory that if the country could get rid of this extra population, some of its most pressing problems would evaporate—including the escalating demand for electricity and the pressure on housing and public transport.

Unskilled Asian immigrants are unashamedly regarded as cheap labour, earning as little as BD40 (£60) a month with accommodation. They find to their dismay that the bare necessities of life cost three times their price in Pakistan, and most labour disputes last year involved non-Bahrainis, according to the Director of Labour.

Although hampered by lack of legislation, health and labour authorities are beginning to take action against Bahraini employers who cram their contract workers 10 or 12 to a room, without adequate sanitation, and the Indian Government is involved in diplomatic negotiations for the protection of its nationals and the introduction of minimum wage scales. Korean and Thai workers are generally better off, since they are recruited en bloc under agreed conditions. Fluency in English has given Indian clerks, tradesmen, and professionals an advantage. M. G. Rimalhi, in his doctoral thesis on social and political changes in Bahrain since the First World War, saw the wide-

spread use of English as an added hurdle for school-leavers just before the construction and banking boom, he commented: "There is an obvious scarcity of suitable jobs on the island, especially for those qualified only in general academic subjects, whose educational standard is still comparatively low... Many of the Government departments, all banks and many business establishments, use English as their business language, while most teaching in Bahraini schools is dominated by Arabic."

Rimalhi recommended following the example of neighbouring Arab States in passing laws to make Arabic the official language. But English has become established as the lingua franca as Bahrain has grown into an international centre, and the Civil Service Commission has launched into job-orientated language teaching.

## Boredom

Especially in industry, staff turnover continues to be high. Employers can only guess at the real reasons why employees leave, since the excuse given is often what they think looks well on paper. "To continue studies" is a favourite. Dissatisfaction with promotion prospects, plain boredom or the hope of better pay elsewhere are rarely admitted to. A Bapco executive has suggested that promotion prospects have suffered from the very fact that the first generation of Bahrainis to be promoted to senior positions were all comparatively young.

No figures exist on the numbers attracted by higher salaries elsewhere in the Gulf, but it is thought they are substantial. The story is told of a graduation ceremony for welders, where a Government minister found himself handing out diplomas to a bunch of old men. Their sons had already earned a \$500 signing bonus and left for Saudi Arabia.

Despite full employment in the past few years, the future looks less rosy. As recession sets in, the Finance Ministry is tightening the purse strings and fewer jobs will be created for otherwise unemployable graduates in Government departments. They include philosophers, sociologists, psychologists and bachelors of arts, largely from Arab universities. But already the Government payroll has grown from 14,000 (10,000 Bahrainis) in 1971 to 18,873 on January 1 this year.

Two years ago, on the advice

of ILO consultants, the Ministry of Labour and Social Affairs established a High Council for Vocational Training. It included representatives from government, employers and labour, and its objective was to put vocational training on a national footing. A specialised unit ran pilot schemes for craft training, mainly for the construction industry in which immigrants now outnumber Bahrainis three to one, and some supervisory development courses.

Last month, the Minister of Labour, Sheikh Isa bin Mohammed Al-Khalifa, publicly admitted that the results had fallen far short of expectations. "The High Council did not lay down a clear and well-defined national training policy with clear targets," he said. "Such a policy ought to have been incorporated in a five-year national training plan which the Council discussed frequently. A national plan has not yet been prepared."

Despite these criticisms, the advancement of Bahrainis is continuing, with considerable backing from many quarters. The Gulf Technical College has close on 1,000 students in engineering and commerce, of whom 350 are sponsored by government agencies, banks and industry. Bapco alone has 200 trainees on these day and block release courses, besides the 94 undergraduates currently studying for technical qualifications at universities and polytechnics in Britain, India and the U.S. Government-sponsored students for higher education abroad number more than 2,500, and at least as many are studying at their own expense. A proportion must be on career-oriented courses of practical value to a developing state. Alfa has opened its own training centre and has earmarked BD1.25m. for manpower development in 1978. Cable and Wireless has a long-standing programme for telecommunications engineers and technicians, and Gulf Air also has a substantial commitment to training, especially in technical and operational grades. Newer companies like the Arab Ship Repair Yard (ASRY) are just putting their programmes into effect.

Enrolment at the College of Health Sciences, which trains nurses alongside pharmacists, lab technicians and public health inspectors, has been encouraging for the second year. The much smaller hotel and catering school has been running successfully against all the odds, given the Arab attitude to service industries in general.

Mary Frings

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## BAHRAIN X

# Airport services under pressure

THERE IS ONE rather narrow view of Bahrain's air communications industry: through the Tarot card sized windows of Concorde. However, it is a view that pleases the Bahraini authorities: the supersonic airliner's three flights a week to London using Bahrain International Airport is simply the most glamorous symbol of this country's successful entry into the Jet Age.

Bahrain, whose oil reserves have shrunk so low that, unlike its more prosperous neighbours, it can no longer exist as a one-product nation, decided about two years ago to chart a new course. At that time the Government concluded that further expansion into heavy industry did not hold sufficient attraction for a small group of islands with an indigenous population of only 220,000. There was already enough large-scale industry, and even the expansion into light industry would develop primarily as a regional service centre for the Gulf—and air communications would naturally play its part.

The Government's commitment to this role was firmly stated by Sheikh Isa bin Abdullah al Khalifa, Assistant Under Secretary for Civil Aviation. He readily admits that, like many other airports, Bahrain International is not profitable, but he quickly adds with emphasis that airport revenue is of far less importance than what he calls the operation's "part of the package" of Bahrain's being a world transit point and Gulf gateway with services comparing favourably on a world scale.

The airport is impressive. It can receive any aircraft now being commercially flown in the world. Its terminal complex is new and extremely comfortable by Gulf standards, and its capacity has been expanded in orderly fashion to meet increased demand and its efficiency has been consistently improved. The list of the 26 carriers served by the airport bristles with the big names such as PanAm, TWA, British Airways, KLM and Qantas, the international lines of the Middle and Far East, as well as the local airlines, of which the most important to Bahrain by far is Gulf Air.

### Carrier

This airline is the national carrier of not only Bahrain but of the three other states in the Arabian peninsula: Qatar, the United Arab Emirates and Oman. The company, as presently constituted came into being in 1974 when the four countries acquired equally all the shares in the existing company, Gulf Aviation, including those held by British Airways and private investors.

There were two reasons for the takeover: one was purely for the prestige of having a national carrier which could be seen on the international routes; the other was the more important one of developing air links among the main points of the Gulf area.

Gulf Air's expansion, along with that of Bahrain International, is remarkable. It was not until 1974 that the company bought its first long-range airliner. Now its fleet in service

includes four Lockheed TriStar 100s, two TriStar 1s, six Boeing 737-300s, and nine smaller aircraft for the shorter regional routes. Two more Boeing 737-300s are on order, due for delivery by the middle of this year.

Total revenue has leapt from \$33.8m. in 1974 to a projected \$217.3m. for 1978. Passengers carried on scheduled services increased during the same period from about 446,000 to a projected 1.4m.

However, such rapid expansion brought its problems, both for airline and airport. During the boom years 1975-early 1977, for example, jumbo-jet loads of workers arriving from the East would be literally camping out in airport precincts, waiting to be ferried to their final destinations in eastern Saudi Arabia. In aircraft which could hold no more than a few dozen people.

A measure of what the authorities were having to cope with during that period can be had from a glance at the airport's growth figures. The number of passengers served by the airport has risen since 1973 by a yearly average of more than 20 per cent, which includes a peak of 31 per cent in 1976. The weight of export-import cargo handled (excluding transit goods) rose since 1973 by a yearly average of more than 50 per cent.

The present year-long downturn in Gulf business activity, while worrying to many people in the area, has brought a welcome respite at the airport: demand continues to grow, but the authorities there, with almost visible signs of relief, now speak in terms of being

able to consolidate successes.

However, problems remain. Under the weight of ever-increasing numbers of aircraft, passengers and the facilities and working conditions of the airport have not been given the attention the authorities say would have liked. Asked how he would most like to see the immediate future.

Fouad Habiby, general manager of Bahrain Airport Services (BAS), answered: "Improvement in facilities, the behind-the-scenes staff, Mr. Habiby will, at least, part of his wishes realised. He has been given \$2.5m. to see this year on new equipment such as conveyor belts, air conditioning systems, ground power units. And Government is at this moment considering proposals for new \$5.5m. cargo terminal."

### Confidence

Sheikh Isa, asked what he expected for the near future, spoke with expansive confidence. The terminal was at peak efficiency, he said. Gulf Air governments were giving priority to developing airlines along its regional line. The "air bridge" to Doha, Saudi Arabia was fully operational, with 16 flights a week operated by Saudia. More bridges were being considered with Kuwait, the most first choice. Pan Am was increasing its once-a-week service to New York to three a week. Qantas was now flying Bahrain for almost all Australia-Europe flights. There were some gaps, such as no direct flights to Tokyo and a lack of direct world transit flights, as opposed to the traditional East routes—but he said he was confident these gaps would eventually be filled.

Sheikh Isa said that he saw one major problem for the airport was extremely underutilised during the day, peak hours for other airports. Because of world-schedule the originating and terminating times for most of the flights transiting in Bahrain meant the airport is only really busy between the hours of midnight and 06.00.

Concorde is among the long-haul voyagers to use the airport by day. Thus the supersonic jetliner has become a practical symbol for Bahrain International Airport as well as its most glamorous one. "I am very, very happy with the Concorde," Sheikh Isa said.

Larry Klinge

# Some structural problems

NEW VEHICLE registrations up 18,000 in two years is hardly a headline to grab the imagination of anyone accustomed to dealing with statistics on a world scale.

Yet to someone from a small island state like Bahrain—area 50 square miles, population 250,000—it suggests both a significant gain in prosperity and a probable worsening of an already serious problem. Vehicle registrations in Bahrain rose from 32,907 in 1975 to 50,825 in 1977, a 55 per cent increase providing the Bahrainis with greater comfort and mobility but also with a further strain on their road building and maintenance programme.

The country's principal natural resource—oil—is running out, and the drive is on to diversify quickly into becoming a service centre for the Gulf. To attract the offshore banking units, offshore companies and international air and sea traffic (which Bahrain has successfully done), the country's infrastructure was greatly improved.

However, with this success and its attendant rise in the economic power of the indigenous population, demands on the infrastructure have grown proportionately. The proposed construction in the middle of the next decade of an 8800m. causeway to Saudi Arabia (by which Bahrain hopes to become a major gateway to its big neighbour's Eastern Province) will impose even greater strains.

The strength of this new demand is strikingly reflected in Bahrain's current budget. Out of the \$362.5m. allocated for projects, nearly \$92m. has been set aside for housing and \$87m. for electricity, which together make up almost 50 per cent of the total. Commenting on the new budget, Mr. Ibrahim Abdul Karim, Minister of Finance and Economy, said: "This policy aims at raising living standards, providing the citizens with the basic services and consolidating the infrastructure so as to be compatible with economic growth in various fields."

The housing allocation is part of a programme for the construction of 2,000 low-income and middle-income homes per annum 1977-86. Prefabricated units are the basic ingredient of the programme, and system building of various sorts is its keystone. Speed is of upmost importance. The Bahraini popu-

lation is growing by 3-4 per cent a year, and the Government, for both political and social reasons, wants to spread the country's new prosperity as quickly as possible.

Two building systems have met with success in Bahrain. One, the Camus system from France, is used by United Building Factories (UBF), a British-owned company which has managed locally incorporated company in which the Bahrain Government has taken a 60 per cent stake. The other is the British-developed MOD-L system and is used by the venture formed jointly by Bahraini Contractor Abdullah Nass and the British construction company Tarmac.

UBF, which has a large factory on the edge of the desert, stresses its factory control in dealing with the Gulf area's chemically corrosive aggregates and water. MOD-L does not need such elaborate facilities. It also can be set up on site, although Tarmac Nass, because of the relatively short delivery distances and other reasons of convenience and efficiency, chose to make their panels centrally on a site near Delmon Ready Mixed Concrete (another Nass concern).

UBF, which is now only working at about half-capacity because it is between government contracts, is studying the possibility of exporting by ship to Saudi Arabia and the rest of the Gulf. Both companies' long-term future probably lies in the causeway's giving them quick access to eastern Saudi Arabia.

### Success

The problem of success as it affects electricity can be illustrated by the fact that demand has grown by 30 per cent per year for the past four years.

Peak demand last summer (at the height of air-conditioner use to cope with Bahrain's sweltering temperatures and humidity) was 223 MW, which in theory was comfortably covered by production capacity of 280 MW. However, the threat of power cuts was always there and only a mechanical failure or a shut-down for unforeseen maintenance work was needed. If, as expected, demand grows by another 30 per cent this year, existing capacity will not be adequate.

Therefore, Bahrain has embarked on an ambitious, 10-

CONTINUED ON NEXT PAGE



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# Fewer orders for ASRY

SIX MONTHS after docking its first very large crude carrier, many of the \$340m. Arab Shipbuilding and Repair Yard's problems are only just beginning. The greatest of these is to find a sufficiently rapid succession of large tankers to fill its 600 dwt capacity dock, situated on a man-made island in Bahrain.

The difficulties, presented by a rapidly shortening orderbook and the arrival of the hand to mouth conditions familiar in almost every ship repair yard in the world, is made more galling for ASRY by the fact that within the Gulf area there are currently no less than 6m. deadweight tons of tankers hanging around in the hope of winning a spot cargo.

Under anything slightly closer to market normality than the tanker world's present four-year-old slump, these waiting vessels would be taking an ideal opportunity to call at a repair yard for routine hull scraping, painting and engine tuning to improve their efficiency. But in the severity of this recession, where the future for many vessels is to swell the size of the laid up tanker fleet beyond its present 42m. dwt, they prefer to idle outside loading ports in the hope of a cargo to take them in the direction of just such a permanent lay-up area.

The speed at which this glut of VLCCs in the Gulf will be laid up could well be sharply increased this year if the independent tanker owners, to whom most of the waiting lists belong, successfully get off the ground the International Tanker Services plan to increase the lay-up pool in order to push up freight rates for operational tankers.

## Order book

ASRY's response to this market crisis has been, from the outset, to join the worldwide shiprepair yards' price-cutting war. It began last autumn by offering around 20 per cent discount on its published tariffs, and through the winter has enjoyed the luxury of a steady two to three month orderbook.

But now, even discounts at this rate are proving insufficient to attract owners who are being offered greater lures from Far Eastern and European repairers. ASRY will shortly be announcing a series of five marketing packages, with even heavier discounts, designed to keep its increasingly efficient workforce and magnificent metalworking equipment in full employment.

Examination of these marketing packages also reveals, however, the confidence which



The Arab Ship Repair Yard complex

ASRY has developed in its first six months of operation about doing jobs more sophisticated than simple painting and scraping. From next month, the yard will also be offering packages involving engine tuning services—its engine shop came fully on stream about a month ago—tail shaft repairs and dockings for ships' periodic classification surveys.

This is all very much according to the plans spoken of last December when, on Bahrain's national day, OAPEC's first great joint industrial project was formally inaugurated.

The opening was an occasion for justifiable pride for the Arab world in general and for Bahrain in particular that in only three years a 50 hectare site had been reclaimed from the sea and fitted out with some of the finest ship repairs facilities in the world.

Bahrain was chosen for ASRY through a mixture of political, geographic and economic considerations. Saudi Arabia's desire to ensure its neighbouring Emirate's stability was the most important political influence and was bolstered by Bahrain's ability to offer, in Arab terms, a better educated and larger indigenous workforce, excellent international communications through the nearby airport and a suitable deep-water channel access to the chosen site.

As the Gulf's oldest producer of oil and the State whose resources are likely to be depleted first, the pressure to increase the pace of downstream industrialisation is greater in Bahrain than elsewhere in the Gulf. This, in the next few years, will in theory provide the critical impetus behind the objective of Arabising 80 per cent of the workforce by 1987.

Bahrainis at present account for about one third of the yard's workforce, and there is a steady, if shallow stream of "gradu-

ates" joining the payroll for processing through ASRY's own training school and a variety of courses and on-the-job experience programmes in Europe.

By the end of this year the yard should be employing 1,350 people, but the most recent phase of heavy recruitment for the engine and pipe shops has again had to rely on immigrants. The bulk of this group of skilled workers has come from Manila and Singapore, many of them having trained in U.S. naval bases.

## Significant

Probably the most significant element of co-operation with expatriates is in the management contract with Lisnavi of Portugal, which built the world's first purpose-designed VLCC repair yard. Along with the London-based ASRYMAR marketing organisation, the Portuguese managers have succeeded in attracting work from a wide cross-section of both independent and oil company owners.

To date, there have been 23 dockings, of which 14 were VLCCs, and 13 other repairs carried out alongside one of ASRY's two finger jetties. The most sophisticated job was the conversion to segregated ballast and general patching up of a joint Saudi-Swedish vessel, but the yard has also carried out tail shaft work, high quality welding and, recently, its first SPC self-polishing repaint contract.

During six months of operation, ASRY claims that its productivity has improved sharply, from six days for the simplest type of docking to four days. It aims to improve this to three days, which will bring the yard close to the standards of the best European repairers.

Much, then, has developed since the first VLCC docked at the yard on October 23, 1977, workforce, and there is a steady, if shallow stream of "gradu-

twice as many docks as the world fleet, even if it were fully operational, requires and there is still the nearby spectre of the Dubai three-dock complex due for completion early next year. Although a marketing agreement between Dubai and ASRY has been often mooted, there is still no sign of such a deal emerging, but nor is there any hard evidence that Dubai is close to finding the management expertise without which its 1.85m dwt facility will be not much more than holes in the ground.

But for all the problems and uncertainties, ASRY retains the advantage of being the best situated VLCC repair yard in the world—able to receive gas-free tankers in an area where 50 per cent of the traffic originates. So long as OAPEC is prepared to carry the yard's inevitable losses, this factor alone assures its future.

Ian Hargreaves

## Structural

CONTINUED FROM PREVIOUS PAGE

The 1978-81 phase of the ten-year plan includes a transmission and distribution network to cost \$212.5m., of which \$82.5m. will be in the form of long-term loans by the Saudi Fund for Development, the Kuwait Fund for Arab Economic Development and the Abu Dhabi Fund for Arab Economic Development. The 1981-86 phase includes \$250m. plans for a 350 MW station to be built near Sitra and a transmission and distribution system.

The demand for water is also growing apace, and the situation is made worse by the increasing salinity of the country's ground water supply. The causes and possible extent of the problem are not fully understood, but a strict monitoring programme has been established. As more and more ground water is extracted, sea water increasingly enters the aquifer, from the east to the west.

## Aquifer

While studies continue to determine the extent of Bahrain's aquifer and any possible links with aquifers in Saudi Arabia, Bahrain is pressing ahead with its programme to meet growing domestic need with more desalination capacity.

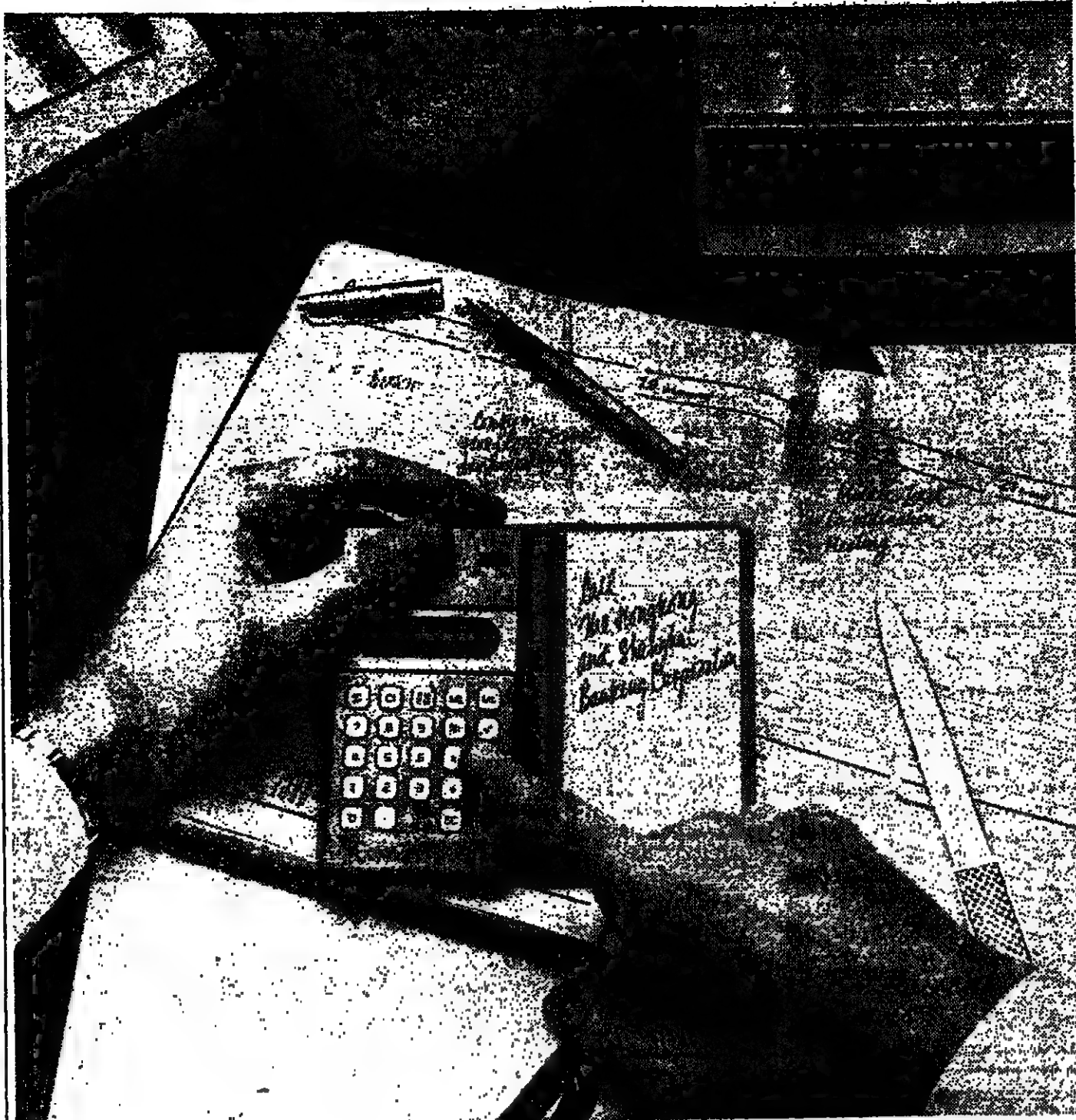
Domestic demand is currently running at 12m. gallons per day and is expected to rise to 20m. gallons per day in 1983. The Sitra power station now has two desalination units each producing 2.5m. gallons per day, and expansion plans envisage the output rising to 20m. gallons per day to produce 30m. gallons after blending with ground water to meet the domestic requirement until 1985. Tenders are expected to be invited later this year for three desalination units each producing 5m. gallons per day.

The country's overall water supply programme, which also comprises extensive pipelaying, pump installation, new control facilities and the construction of elevated and ground-level storage tanks, began in 1974 and is scheduled for completion in 1980, with the extension of the minor networks to follow. Total cost of the programme is estimated at \$125m.

Like the electricity and water programmes, Bahrain's \$162.5m. sewage project is also moving ahead briskly. Feasibility studies began in late 1974 and the project is fast approaching completion, with the main trunk line expected to be in place by mid-1979. It involves the installation of a complete system to serve all of Bahrain's metropolitan areas, including 30 pumping stations and a treatment plant to revolve sewage into water for agriculture.

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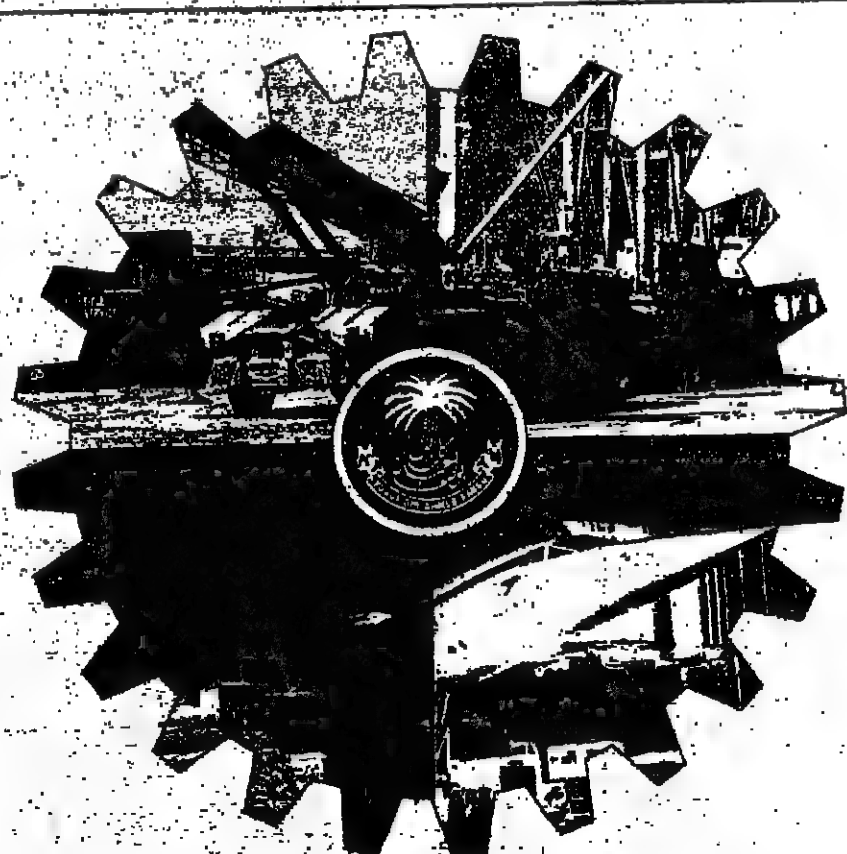
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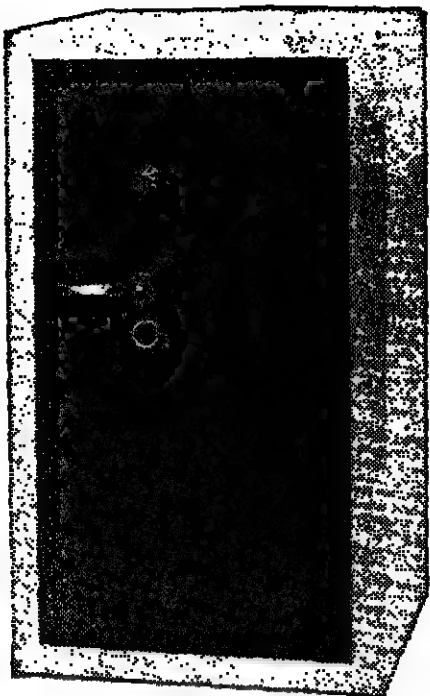


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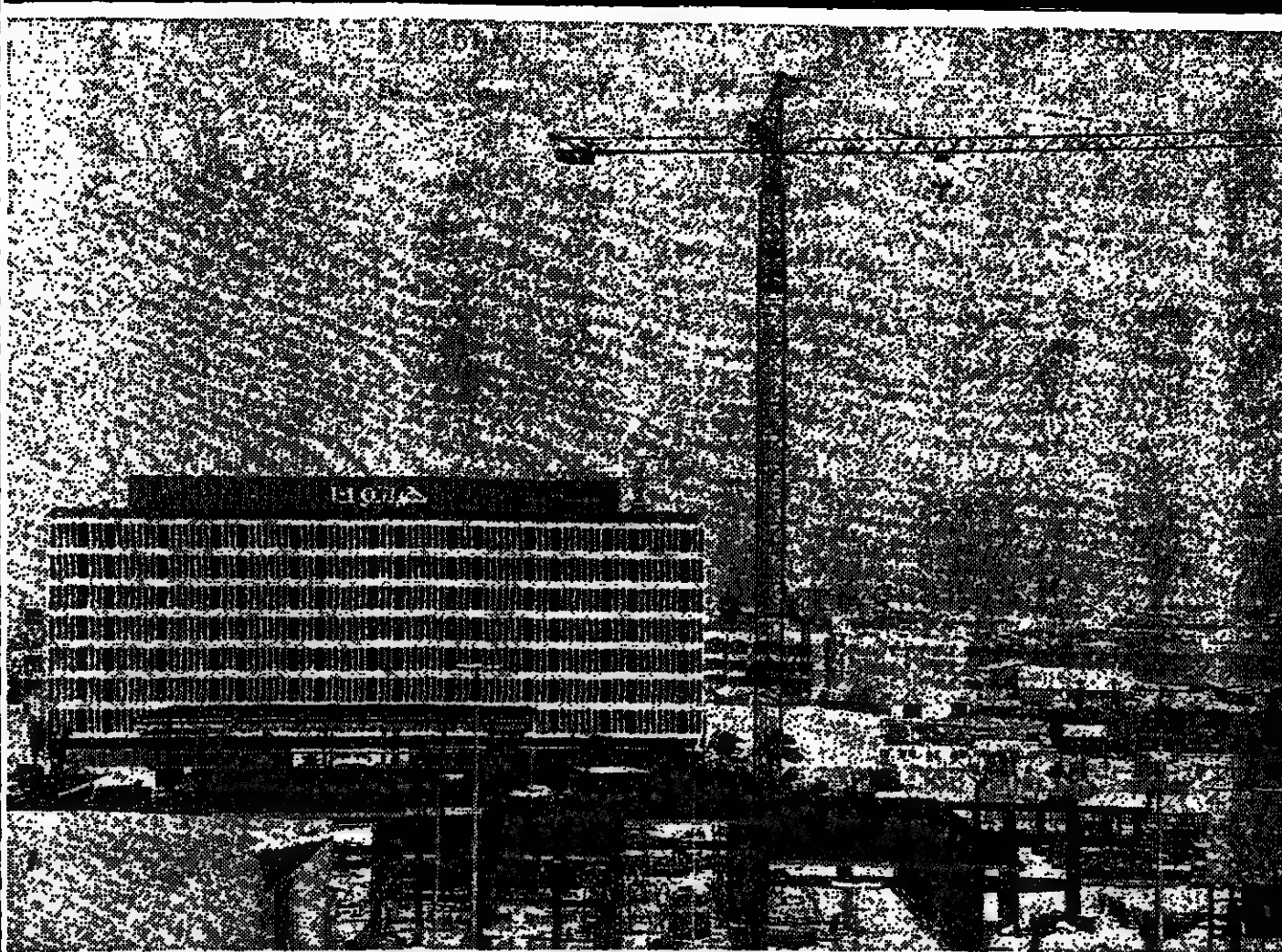
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## BAHRAIN XII



The steel frame of the Sheraton Hotel, with the Bahrain Hilton in the background.

## Slowdown hits property

BY 1983 it has been estimated that around 8,000 cars and 600 trucks will be travelling daily between the Eastern province of Saudi Arabia and Bahrain—the causeway is built. Traffic is expected to peak before and after the Gulf week-end, on Thursdays and Saturdays.

These estimates, made public by Dr. Nasser al Saloom, the Saudi Deputy Transport Minister, last November, are the basis on which Bahrain's hoteliers, restaurateurs and landlords are speculating about the future. Until the boom of 1975-1976 Bahrain had an adequate

surplus of residential, office and hotel accommodation, the legacy of some 30 years of modest oil income and the presence of the British Armed forces.

The boom depleted this surplus rapidly with the consequence that prices rocketed and land speculation started, with a little additional fuel added to the conflagration by Kuwaiti private sector money. The boom stopped almost as quickly as it had started but construction of all kinds of accommodation has a lead time that cannot be shortened, so many of the projects started in the heady days of 1976 are likely to be left incomplete in the near future. And projects financed on boomtime expectations look more than a little sick in the present slowdown.

Large scale private housing developments are now trickling to a halt though there is still a great deal of building on individual plots in nooks and crannies of the main town, Manama. The upsurge in construction activity and the congestion at the port forced up the price of building new houses to such an extent that landlords seriously started to consider renovating existing property. Most of the residential accommodation available in Bahrain before the boom years, the advent of the offshore banks and the expansion of Gulf Air, was built during the 1950s to meet a lower living standard.

### Rentals

Many of these houses were let at rentals of between \$150 and \$200 a month, absurdly low compared to the peak rentals for new houses of \$1,500 to \$2,000. One of the newer contracting companies in Bahrain, Projects and Properties, went early on into the speciality side line of renovating these old bungalows. The company has estimated that by spending about \$15,000 on replacing the basic amenities and making the houses safe for air-conditioning it could bring them into the higher rental brackets. It seems that most of the new British expatriates, in particular, preferred to take an old house that had been modernised.

The larger proportion of the new private sector housing development took place along the road to Boudaiya, the road running westwards towards Saudi Arabia and the greenest part of the island. Developments of between 20 and a 100 houses, built round a communal swimming pool, are a standard pattern. These "compounds" were mostly built in the agricultural estates (garden in Gulf English) of the landlords who had little difficulty in letting them even for rents as much as \$25,000 a month.

As only Bahrainis, or other Gulf Arabs, can own land or property in Bahrain, the expatriate worker has no choice but to rent. Gulf Air, one of the biggest employers on the island, has its own housing programme but other companies are subjected to the vagaries of the market place. The prospective tenants divide into a number of categories, the top slice (from a landlord's point of view) being Western diplomatic and banking personnel. Then come the more ordinary West-

ern technicians and administrators on whom their companies are loath to spend more than \$1,000 a month in rent. The professional expatriate worker from the Indian sub-continent is now also upgrading his accommodation. And there are the young Bahraini graduates, newly married, who do not get a house with their job and have not yet built one.

It is the housing of these young Bahrainis and the lower income groups in the island which is the particular concern of the Bahrain government. Bahrain has a high population growth rate—between 3 and 4 per cent a year—and Bahrainis' living patterns are changing. The nuclear family style of living has come to Bahrain. Bahrain's Housing Ministry is barely more than two years old and in the past two years has awarded housing contracts to the value of \$300m. and given soft loans of around \$44m.

The main points of the Government's national housing policy include the provision of interest free loans to citizens and government employees to build, buy or modernise houses to a maximum of \$50,000. The Government will also allocate plots of land and will build houses for distribution under ownership schemes on mortgage lines—both the loans and the houses have to be paid for, or repaid over a period of 25 years. The Government also builds flats for rent only: ways of providing for leasehold ownership are actively under discussion. In the coming year some 2,000 government built homes should be ready for allocation.

Because of the urgency of Bahrain's housing requirements, the Government has actively encouraged system-building but has shown little interest in pre-fab housing. United Building Factories, a joint Government/private sector company working on the French Campus system of pre-cast concrete houses has several Government contracts in hand, of which the most important is one for more than 500 houses at Juffra. Bahrain's first new town which was started in the early 1960s on land donated by the Amir, Shaikh Isa bin Sulman al Khalifa. The other housing system in operation on the island is the British Building Research Station tested MOD-L which is being marketed and erected by the Bahraini-British joint venture, Tarmac Nass. Tarmac-Nass is building around 500 MOD-L units in two villages on Muharraq.

The turbulence of the property market in Bahrain (as elsewhere in the Gulf) attracted professional estate agency firms to the island, the first to arrive being Debenham, Tewson and Chinnocks, followed by Cluttons and other smaller agencies. The advent of these agents—and of more British lawyers—modernised relationships between landlords and expatriate tenants. As Bahraini rent laws tend to favour sitting tenants, leases place few maintenance obligations on landlords. The balance is gradually evening out.

The two British agents between them are the letting agents for the two most "prestigious" developments in Bahrain at present. Debenham's

is the letting and managing agent for the 18 storey purpose built office block, the Bahrain Tower. The rental of the building is around \$19 a square foot for most of its 95,000 square feet of space.

Clutton's building is a mixed development of offices, shops and apartments known as the Manama Centre. Rental levels for the 124 apartments have recently been revised down to the range of \$500 a month for a studio flat to \$1,750 for a four-room apartment which has lived up inquiries, the agents report. About two-fifths of the 12,000 square metres of office space, at around \$17.5 a month per square metre has been leased or is under option, and shop premises have been taken by Gulf Air, K.L.M., Grindlays Bank, Kuwait Airways and others.

### Accessible

In a slightly less accessible position in the town, the new Kanoo Centre—which offers underground car parking facilities—is also gradually filling up. (The ease or otherwise of car parking is a vital decision for tenants.) Most of the modern office property is being let with a professional agent offering a maintenance service for an annual service fee. Maintenance of building and services in the Gulf's harsh climate is a full time occupation.

On the whole the outlook for landlords of office and residential accommodation is not too bleak though nowhere near as comfortable as it was two years ago. There is a tendency on the part of all lessors to trade up and many of the offshore banks are expanding their operations and so moving to new premises. The most important virtually firm customer for the Bahrain Tower is the Bank of America's offshore banking unit.

For the owners of hotels or hotel projects, the short term outlook is rather grim. The decline in the number of visitors to the Gulf since the economic slowdown occurred has seriously affected the occupancy rates, particularly for the less central hotels. At any time now the majority of hotel residents are air-crew whom hoteliers find unattractive as they do not spend much on food and drink.

At the height of the boom there were probably only about 250 first class hotel bedrooms to be had in Bahrain, resulting in occupancy levels of well over 100 per cent for hotels such as the Hilton, which opened at the beginning of the boom. Not unnaturally Bahrain's hoteliers decided additional capacity was necessary and in short order projects for a Sheraton, a Holiday Inn, a Ramada, and another Gulf hotel were under consideration.

The Ramada was the first of these new hotels to open. It was privately financed by Bahraini and Kuwaiti money and occupancy levels are described as adequate. As with other hotels in Bahrain, it has block aircrew bookings underpinning its economics. Of the others the Holiday Inn is nearest to completion: its management hopes it will be open for the autumn visiting season.

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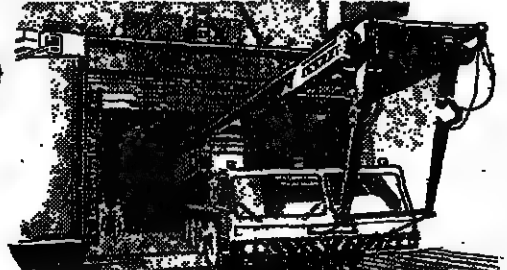


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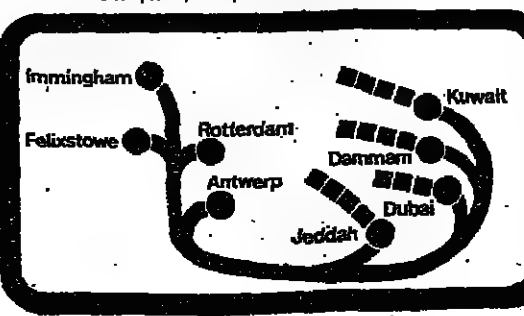
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# COMPANY NEWS

## Cement-Roadstone to maintain growth

THE INDICATIONS are that the construction industry in Ireland will be encouraged to grow. Cement-Roadstone should, therefore, have an opportunity to prosper, Mr. Michael Dargan, the chairman, tells members. Assuming settled conditions in its markets the directors are confident that the company will maintain its progress.

Providing the directors are not restricted from earning a commercial return on capital the group should have an investment capability in Ireland of over £100m. through the next five years. This will come mainly from retained profit and from depreciation, supplemented as necessary, by borrowing. A company study team has been told "to find more new industries," he says.

In addition the directors plan to expand abroad by growth and acquisitions. The group's existing overseas ventures in Cyprus, Greece, Nigeria and Africa are making a significant contribution to earnings.

For the year to December 31, 1977, taxable profit was added to £14.7m. (£11.6m.) on sales of £134m. (£113m.), as reported on March 14. The net dividend is stepped up to 4.54p (4.46p) per 25p share and two-for-three scrip issue is proposed.

At year-end working capital was up £2.7m. (down £381,000) with bank overdrafts lower at £13m. (£22.2m.) and the net total debt was up £3.2m. (down £2.5m.).

Irish Life Assurance Co. at September 21, 1977, held between 10 and 15 per cent. of equity. Following revaluation lands and buildings are shown in the balance sheet at £44m., against £23.3m., giving a net asset value of £20.7m. per share.

Future capital spending at year-end of £6.6m. (£4.3m.) had been contracted and a further £5.3m. (£12.6m.) authorised.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends are intended or not, and the sub-divisions shown below are based mainly on last year's practice.

### TO-DAY

Interim: Highland Drilling, Tarrow, Fife; Ash and Lacy, Combined English Stores, Freeman, Jore Investment Trust, Ocean Transport, Scottish Television, Spitz-Sarac.

### FUTURE DATES

Interim: AB Electronic Products, Aug. 5; Kirk-Save Discount, Aug. 14; Fife: Jura Investment Trust, Aug. 17; Rufford Engineering, Aug. 18; Boot (Henry), Aug. 18; British Printing, Aug. 18; Compton (J.) and Webb, Aug. 18; Crossley Building Products, Aug. 19; Dreamland Electric Appliances, Aug. 19; General & Commercial, Aug. 19; Harte Machinery, Aug. 19; Lead Industries, Aug. 20; News International, Aug. 20; Rio Time-Zine, Aug. 21; Savers (G.), W.J., Aug. 21; Tricentral, Aug. 21.

## Scottish Eastern Inv to improve

DUE TO currency movements the directors of the Scottish Eastern Investment Trust say that it is even more difficult to estimate accurately revenue for the current year, but some improvement in earnings is expected.

The company's policy is still to aim for long term growth in income and capital, and by maintaining a broad industrial and geographic spread of investments to minimise shareholders' risks. This aim is hampered by the U.K. tax system and exchange control regulations. However, abolition of the 25 per cent. premium dollar surrender rules from January 1 has reduced considerably the cost of high switching overseas investments, and provided an opportunity for more flexible management.

In the year ended January 31, 1978 total revenue increased from £2,923,907 to £4,424,000 and after interest, management expenses

and tax, the revenue available for distribution amounts to £2,339,348 compared with £2,033,964. At the year-end, the total net assets attributable to Ordinary shares was £80.61m., compared with £75.02m. last year. Cash on deposit of £8.54m. represented £3.9m. in sterling and the sterling equivalent of U.S.\$1,818,038.

## Giddings & Lewis up 40%

A 40 PER CENT. jump in taxable earnings from £577,000 to a record £810,000 was attained by Giddings and Lewis-Fraser, Tayside machine tool manufacturer, for 1977. Sales were 27 per cent. better at £7.6m., against £5.91m.

Order intake for the year was a record £10.7m. and the company currently has £2m. worth of orders in hand the directors say. Added to this was a £1m. increase in the value of orders in hand, both past and present. In new machinery and production control methods, give them reason to expect further improvement in 1978.

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## Banks case to Wilson Committee: recommendations and text

loan arrangements on the American pattern, they very much doubt if industry and trade would willingly sacrifice the flexibility and lower cost of the traditional overdraft arrangement that they have long enjoyed.

A substantial proportion of the Clearing Banks' term lending is now linked to LIBOR (London Interbank Offered Rate) instead of to base rate. The margin over LIBOR is fixed at the outset and would currently be in the range of 4-4 1/2 per cent. for a medium-term loan to a "blue chip" customer; margins have recently tended to contract.

Where large loans are syndicated between several banks, LIBOR provides a particularly appropriate reference point. It is when participating in such loans that the clearing banks feel most keenly the cost, borne solely

by them, of maintaining 1 1/2 per cent. of their eligible liabilities as a balance at the Bank of England, since this requirement significantly reduces their profit margin.

Competition is particularly intense throughout the banking system for large-volume lending for short periods.

Long-term funds  
A review of the institutional machinery for providing equity or long-term funds to smaller, developing enterprises. In addition to bank finance and "proprietary" funds, there comes a stage in the development of many smaller companies when they need an injection of external permanent or long-term risk capital.

various subsidiaries of the clearing banks themselves and ICFC (Industrial and Commercial Finance Corporation) a subsidiary of FFI (Finance For Industry), in which the banks are majority shareholders.

It is the clearing banks' experience, however, that there is considerable resistance on the part of shareholders in private companies to releasing any part of the equity in their companies. If it is suggested that the clearing banks' machinery is still not adequate to meet the latent demand, the banks would submit that the finance most suitable for transformation into long-term funds is primarily that held by life assurance companies and pension funds.

Scope exists already for channelling such funds to ICFC through the medium of FFI

quoted debentures, and stocks, although such investments would become more attractive if Government securities did not enjoy preferential status.

The London Clearing Banks' Evidence to the Committee to the London Clearing Banks' Committee to Review the Funding of Financial Institutions, published by Longman in 1977, pp. 29-35. (Chapters 24-25) (Chapter 24) (Chapter 25) (Chapter 26) (Chapter 27) (Chapter 28) (Chapter 29) (Chapter 30) (Chapter 31) (Chapter 32) (Chapter 33) (Chapter 34) (Chapter 35) (Chapter 36) (Chapter 37) (Chapter 38) (Chapter 39) (Chapter 40) (Chapter 41) (Chapter 42) (Chapter 43) (Chapter 44) (Chapter 45) (Chapter 46) (Chapter 47) (Chapter 48) (Chapter 49) (Chapter 50) (Chapter 51) (Chapter 52) (Chapter 53) (Chapter 54) (Chapter 55) (Chapter 56) (Chapter 57) (Chapter 58) (Chapter 59) (Chapter 60) (Chapter 61) (Chapter 62) (Chapter 63) (Chapter 64) (Chapter 65) (Chapter 66) (Chapter 67) (Chapter 68) (Chapter 69) (Chapter 70) (Chapter 71) (Chapter 72) (Chapter 73) (Chapter 74) (Chapter 75) (Chapter 76) (Chapter 77) (Chapter 78) (Chapter 79) (Chapter 80) (Chapter 81) (Chapter 82) (Chapter 83) (Chapter 84) (Chapter 85) (Chapter 86) (Chapter 87) (Chapter 88) (Chapter 89) (Chapter 90) (Chapter 91) (Chapter 92) (Chapter 93) (Chapter 94) (Chapter 95) (Chapter 96) (Chapter 97) (Chapter 98) (Chapter 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## Another new gold mine for Anglo American?

BY LODESTAR

THE GOLD price is resting on the OES

That will only flow to

Mineralisation is present throughout. Although gold values are generally low, one drill in particular some 1½ miles north of Sasipalea gave very high uranium results. Griffl-Edkarsbaird has already indicated that the gold proposition and may depend on new technology to "slot out" the payable reef without having to mine excessive waste. But it is reckoned in Johannesburg to have a good chance of becoming a mine especially in view of the uranium "hot spot".

In London it is pointed out by stockbrokers James Capel that the gearing for participation is in Palker but that the market in the shares is a narrow one with Louisa holding the lion's share. The most profitable way is re-

the uranium is returned to AEC, And Queensland is of the belief that it is allowed that Nabarlek property. So mission, to quote the company chairman Mr. J. S. Milne "up in the air".

But the shares are the only shareholders as well as \$300 million investments worth a 35 per cent. stake in Queensland. Especially as Nabarlek necessarily be a front when the Government does make up its mind about the uranium.

Some kind of a front from Canberra is thought to be imminent. So there anticlimax forward movement towards the end of last year the shares of Pancoft

Now, following the borehole results detailed in the American Gold Investment annual

**Funny figures**

I hear from Australia that a mining company there has reported a jump in turnover from SA\$72,000 to SA\$38m. for 1977. Yet owned gold mines group have been firing up. Ours were 255p. Spot interest has been around Sydney by the sale for (\$57.8m.) of CGFA's 60 stake in Commonwealth Investments to the

...that famous (or infamous as it turned out) day in June, 1940, when the shares of Free State Uranium began to rise. Following a high-value borehole on that farm. But the drill never proved to have been tampered with or "salted" as the miners term it.

In five years now the Anglo American group has been frantically drilling the ground afresh. It has a 60 per cent. interest therein and manages the exploration program. The head of the outfit is held by Lombro's main friend, a South African vehicle, Dukker. The exploration the successor company to Free State Gold Areas.

It turned in a loss of \$40,324. These queer statistics represent the tangled skein of the uranium imbroglio.

They entice because of the overseas supply contracts that were tacked onto in the days when it seemed that the big Northern Territory uranium deposits would be brought to production in the normal way instead of being delayed for years owing to the opposition and resultant government procrastination.

Thus, in order not to damage the country's commercial reputation, the contracts are being

Mutual Life Association.  
...under guessing game as CGFA intends to do money. Will it set out bid target? Will the Northern Hemisphere?  
...offer for the proceeds of such interests as Bellamby Associated Minerals and find that the increased participation in CGFA's T... among the questions being...  
My reaction is to say w...  
...as use of the money...  
...employed. Many...

## INSURANCE

## Steps to improve compensation

## for products injury victims

ONE OF the specific tasks of the Pearson Royal Commission was to consider "to what extent, in what circumstances and by what means" compensation can be made available for injury or death through the manufacture, supply or use of goods and services.

In 20 closely, but clearly argued pages—Chapter 22 of the volume I or the report—the commission gives its own recommendations 21 positive recommendations on what lawyers and insurers have come to call products liability.

From evidence received, the commission reckons that in 1964 there were 30,000 deaths and 40,000 injuries may be caused by defective products each year (drug injuries are not included in this estimate), and

manufacturers, as does the non-purchasing victim, but only on proof of negligence—while on the manufacturer's side, it is not that he has not been negligent, for example, regarding the state of knowledge at the time he put the product into circulation.

In deciding how to give the products injury victim greater certainty of compensation the commission considers four options—to introduce "no fault" compensation, to establish new statutory contractual rights, to reverse the negligence burden of proof, and to introduce what lawyers call strict liability.

The report says that products liability the victim would have to prove manufacture defect, and injury resulting from defect, but not have to show the manufacturer to have been negligent.

that insurers normally financial limits both by the amount and by the severity of the claim.

Incidentally the EEC directive contemplates a limit—backed by the weight of the commission's opinion—on what insurers may perhaps put on a harder line on this particular discussions.

## Difficulties

Dealing with imported goods, the commission recognizes practical difficulties that have to be faced by the overseas producer—and recommends the importer be liable on the same basis as the producer.

These are only the main arguments and recommendations the commission discusses in detail. The full report is available for \$7.50 plus \$1.00 p. and p.

## No limit

In setting for this, the least radical and *most practical solution*, the commission has given several reasons in support. Perhaps the most recent is that the present draft EEC directive on products liability favours this course, and in fact bids to extend it to all consumers' protection claims similar to that proposed at present enacted in Britain only by the purchase against the retailer.

The commission does not recommend the introduction of compulsory liability insurance, holding that there are "formid-

able to more than 5 per cent. of the victims get liability compensation while the average payment is less than £50 a year."

But in apparent contradiction, paragraph 1278, the commission reckons the number of tort compensation claims is about 700 a year, valued at £12m.—which averages nearly £1,000 a claim.

to human blood and organs incorporated of movable concrete) into immovable (houses), and marketing of name goods.

Proposed defences to tort strict liability are detailed including a ten-year limitation, from the date of production of the product, period adopted by the draft directive.

But the producer should be allowed the defence "development risk" if defence available, at present he has not been negligent regard to his existing knowledge.

ct 1893 and the Sale of Goods (Simplified Terms) Act 1973, for example, on the ground that the goods are not of merchantable

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Cumulative Preference Shares of £1 each

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Particulars relating to the Cumulative Preference Shares

are available in the Statistical Service of Exel Statistical Services Limited and copies of such particulars may be obtained

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160 Wood Street, London, EC2P 2AJ.

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3 Queen Victoria Street, London, EC4N 8DX.



# FT Monthly Survey of Business Opinion

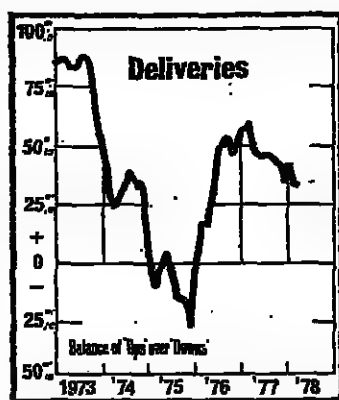
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## GENERAL OUTLOOK

### Optimism on the wane

INDUSTRY IS now noticeably less optimistic about its business prospects and about the outlook for the economy generally than it was last autumn. Companies referred to the disappearance of the earlier "unjustified euphoria." More specifically, the building and construction, and the food and tobacco sectors were both less optimistic about their companies' prospects than four months ago.

There is still considerable con-



science about export markets. Both the food and tobacco, and the textile and clothing sectors are more inclined to be optimistic about prospects than four months ago and this indicator has recovered after its recent setback.

But the evidence still suggests only a gradual recovery in activity generally at present. The proportion of companies reporting a rising trend in deliveries in the last four months has declined for the second month running.

## GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
More optimistic	38	41	47	39	—	25	39	
Neutral	38	39	36	43	63	35	51	
Less optimistic	22	18	15	16	37	40	10	
No answer	2	2	2	2	—	—	—	

## EXPORT PROSPECTS (Weighted by exports)

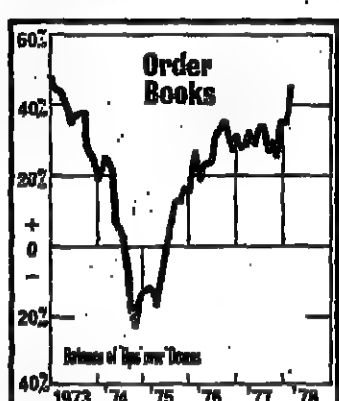
Over the next 12 months exports will be:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Higher	77	75	79	83	60	81	70	
Same	9	8	10	10	—	2	30	
Lower	11	14	11	7	40	—	—	
Don't know	3	3	—	—	—	16	—	

## ORDERS AND OUTPUT

### Stronger construction trend

THE TREND of new orders has improved, mainly due to increases reported by the building and construction industry. However, the expectations for total sales for the next year are slightly lower than before. The median expected increase in turnover during the latest period was 4.8 per cent. compared with 5.1 per cent. in the last survey.

Demand for cement both at home and abroad was still said to be low by those companies interviewed last month. However, with the rising public interest in housing and the



tendency for greater renovation work, better orders were reported for builders' merchant stocks.

Merchants were also said to be prepared to carry higher stocks because of the fall in the level of interest. Plant hire orders were also increasing. The falling trend of new orders in textiles and clothing over the last four months was thought to be partially caused by fluctuations in the exchange rate, which encouraged customers to hold off in the hope of getting the benefit of lower raw material prices.

## NEW ORDERS

The trend of new orders in the last 4 months is:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Up	53	48	48	41	74	43	18	
Same	29	28	20	19	26	38	7	
Down	10	12	11	16	—	2	74	
No answer	8	12	21	24	—	17	7	

## PRODUCTION/SALES TURNOVER

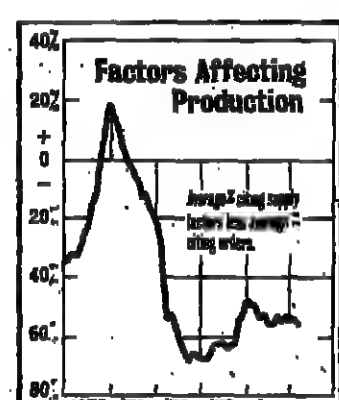
Those expecting production-sales turnover in the next 12 months to:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Rise over 20%	6	4	3	4	—	—	—	
Rise 15-19%	4	7	9	5	—	—	8	
Rise 10-14%	9	11	18	18	—	—	—	
Rise 5-9%	25	27	16	22	28	1	39	
About the same	48	45	46	44	48	74	42	
Fall 5-9%	2	3	3	3	24	—	—	
No comment	6	3	3	4	—	17	11	

## CAPACITY AND STOCKS

### Demand still main constraint

THE LEVEL of economic activity is continuing to be constrained mainly by demand rather than by supply influences. Indeed the number of companies mentioning both home and domestic orders as an influence has been rising in recent months. This is also reflected in the indicator for capacity working, with just under a third of the respondents working at below target levels.

The sharp increase earlier in the year in the number of companies mentioning shortages of skilled factory and executive staff has been partially reversed.



but the proportions remain significant. There are still no companies referring to finance as an influence.

The indicators for the level of work in progress during the next 12 months have risen, which is consistent with an upturn in activity. But the indices for expected stocks of bought-in supplies of materials and of stocks of manufactured goods have fallen slightly. However, the net balance of companies saying their stock levels are too high rather than too low, which has been falling, now shows quite a steep rise.

## STOCKS

Raw materials and components over the next 12 months will:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Increase	45	44	43	30	48	43	30	
Stay about the same	40	47	48	54	38	19	66	
Decrease	13	8	4	7	14	34	4	
No comment	2	1	5	7	—	4	3	

Manufactured goods over the next 12 months will:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Increase	32	35	31	23	12	26	49	
Stay about the same	41	42	43	48	83	34	15	
Decrease	10	3	2	4	5	34	32	
No comment	17	20	24	25	—	4	4	

## FACTORS CURRENTLY AFFECTING PRODUCTION

	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Home orders	86	85	82	81	98	91	85	
Export orders	61	60	56	60	84	38	78	
Executive staff	30	34	30	20	—	13	31	
Skilled factory staff	42	46	39	38	47	8	89	
Manual Labour	13	11	7	3	24	—	31	
Components	5	7	8	8	—	—	—	
Raw materials	5	9	9	10	—	—	3	
Production capacity (plant)	25	11	11	11	12	25	—	
Others	7	12	7	12	—	—	7	
Labour disputes	37	38	36	32	36	21	31	
No answer/no factor	5	4	5	2	1	—	—	

## LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Increase	30	27	25	24	32	32	31	
Stay about the same	36	62	64	56	57	22	60	
Decrease	14	11	11	20	11	46	9	
No comment	—	—	—	—	—	—	—	

## CAPITAL INVESTMENT (Weighted by capital expenditure)

Those expecting capital expenditure over the next 12 months to:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Increase in volume	53	51	56	54	84	46	73	
Increase in value but not in volume	6	12	11	11	—	15	—	
Stay about the same	19	17	16	15	—	15	—	
Decrease	23	18	14	14	16	24	27	
No comment	—	2	3	6	—	—	—	

## COSTS

Wages rise by:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
5-9%	10	5	6	8	12	34	—	
10-14%	64	74	74	78	59	40	87	
15-19%	11	10	11	14	5	17	7	
20-24%	2	—	—	—	—	—	—	
No answer	13	11	9	8	24	—	6	

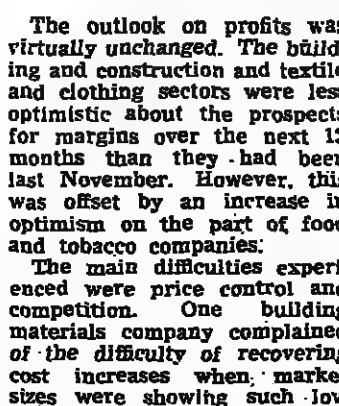
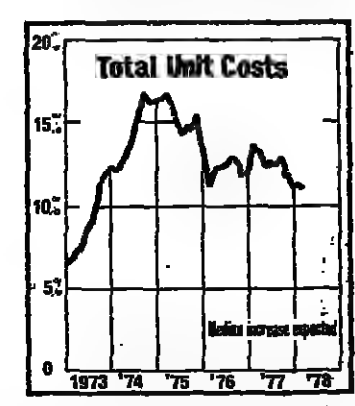
Unit cost rise by:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
0-4%	1	3	5	3	—	—	3	
5-9%	36	24	22	12	62	35	72	
10-14%	48	60	60	64	33	46	8	
15-19%	7	6	5	8	—	2	7	
20-24%	3	—	—	—	—	17	—	
Same	—	1	2	2	—	—	7	
Decrease	—	1	1	1	—	—	—	
No answer	5	5	5	10	5	—	3	

## PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	4 monthly moving total				March 1978			
	Dec. Mar.	Nov. Feb.	Oct. Jan.	Sept. Dec.	Constrn. & Bldg.	Food & Tobacco	Textiles & Clothing	
Improve	26	24	22	27	22	26	43	
Remain the same	41	43	55	46	29	40	39	
Contract	29	29	21	22	49	34	11	
No comment	4	4	2	5	—	—	7	

## COSTS AND PROFIT MARGINS

### Keeping to the guidelines



The outlook on profits was virtually unchanged. The building and construction and textile and clothing sectors were less optimistic about the prospects for margins over the next 12 months than they had been last November. However, this was offset by an increase in optimism on the part of food and tobacco companies.

The main difficulties experienced were price control and competition. One building materials company complained of the difficulty of recovering cost increases when market sizes were showing such low growth levels. In food and tobacco greater production efficiency and higher volumes were expected to allow manufacturing margins to increase even if retail margins did not. These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, as based upon extensive interviews with top executives. Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the

MOST COMPANIES continued to expect wage increases to conform to Government guidelines and interpret these as rises at or not far above ten per cent. The median expected increase in unit costs showed a slight fall from 11.5 to 11.1 per cent. There was some widening in the range of expectations in the food and tobacco sector, with varied expectations on raw materials increases raising both the number of companies which expected unit costs to rise by 5-9 per cent. and those whose expectations were more than 15 per cent.

## Financial Times Monday April 2, 1978

### APPOINTMENTS

### London Discount Assn. chairman

Mr. J. F. E. Smith has been elected chairman of the LONDON DISCOUNT MARKET ASSOCIATION in succession to Mr. I. W. K. Smith. Mr. R. J. Petherbridge has been made deputy chairman. Mr. Smith is chairman of Smith St. Anghar and Company. Mr. Petherbridge is managing director of a fine Union Discount Company of London.

Mr. Brian Harrison, National Coal Board finance member, has been appointed chairman of NCB (COAL PRODUCTS). A member of the Coal Products Board since May 1976, he succeeds Mr. Leslie Grainger, who has been chairman since 1974 and continued in this capacity after resigning as NCB science member at the end of May 1977.

Mr. Alan Swinden has been appointed a director of the INSTITUTE OF MANPOWER STUDIES. He will have special responsibility for the Institute's external relations, and will take up his duties in May. Mr. Swinden has spent seven years with the CBI, and remains with the Confederation as a consultant. He was previously its chief adviser on special affairs. Before he was director of the Engineering Industry Training Board, and before that of the Engineering Employer's Federation.

Mr. Douglas M. Bell has retired as chairman and chief executive of TROJES GROUP. Mr. John K. Pitts, formerly deputy chairman of ICI Agricultural Division, has been elected as his successor. Mr. Raymond A. Richards has also retired from the Board, coincidentally with his retirement from ICI Plastics Division. Mr. John Lester, general manager, planning, at ICI's head office, has been elected a director.

Mr. Ralph Kauter, now Group director of overseas operations of THOMAS COOK, has been made Group managing director, banking, responsible for the Group's traveller's cheque and bank note dealing operations. Mr. Alan Kennedy, now managing director of Thomas Cook Ltd., becomes Group managing director, travel, excluding North America. Mr. David Loretto, currently president of Thomas Cook Inc., responsible for the Group's banking and travel activities in North America (U.S. and Canada), has been appointed to the Board of Thomas Cook Group Ltd. Other changes in the interests of the Group include the appointment of Mr. Trevor Davies, currently director,

Mr. Peter Rafter has been appointed to the new position of group marketing director of QUINCY HAZELL and such will be a member of QHL Executive Committee. Mr. Rafter was previously marketing director of Quincy Hazell Automation.

Mr. G. K. Clarke has been appointed executive director of INTERNATIONAL COMMERCIAL BANK, following the retirement of Mr. G. P. Stubbs.

Mr. Alan D. C. has been appointed director of the wholly-owned subsidiary, J. H. Dallmeyer, on retirement of Mr. R. D. C. who remains a director of the company.

CHIPMAN announces appointment of Mr. P. G. Shaw to their Board. He will replace Mr. J. H. Dallmeyer, who has retired. Mr. Shaw is a director of Services, part of the Industrial Products Group.

## PLANT & MACHINERY SALES

2 TWO VARIABLE SPEED FOUR HIGH ROLLING MILLS 6.5" wide razor blade strip production.	0902 42541/2/3/4 Telex 33644
MODERN USED ROLLING MILLS, wire rod and tube drawing plants—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.	0902 42541/2/3/4 Telex 33644
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	0902 42541/2/3/4 Telex 33644
1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 min x 7 tonnes coil fully overhauled and in excellent condition.	0902 42541/2/3/4 Telex 33644
1965 TREBLE DRAFT GRAVITY WIRE DRAWING machine by Farmer Norton 27" x 31" diameter drawblocks.	0902 42541/2/3/4 Telex 33644
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A. R. M. Max capacity 750 mm x 3 mm.	0902 42541/2/3/4 Telex 33644
6 BLOCK WIRE DRAWING MACHINE equipped with 22" dia. x 25 hp. Drawblocks.	0902 42541/2/3/4 Telex 33644
2 15 DIE M4 WIRE DRAWING MACHINES—5,000Ft./Min. with spoolers by Marshall Richards.	0902 42541/2/3/4 Telex 33644
3 CWT MASTER FORGING HAMMER—pneumatic single blow.	0902 42541/2/3/4 Telex 33644
9 ROLL FLATTENING MACHINE 1,700 mm wide.	0902 42541/2/3/4 Telex 33644
7 ROLL FLATTENING MACHINE—965 mm wide.	0902 42541/2/3/4 Telex 33644
COLES MOBILE YARD-CRANE 6-ton capacity lattice jib.	0902 42541/2/3/4 Telex 33644
RWT TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE 10" x 8" rolls x 75 HP per roll stand. Complete with edging rolls, turks head flaking and fixed recoller, air gauging, etc. Variable line speed 0/7500Ft./min. and 0/1500 Ft./min.	0902 42541/2/3/4 Telex 33644
NARROW STRIP STRAIGHTENING AND CUT-TO-LENGTH MACHINE (1973) by Thompson and Munroe.	0902 42541/2/3/4 Telex 33644
SCHULER 200 TON HIGH SPEED BLANKING PRESS. Bed 48" x 40" 200 spn. Double roll-feed stroke 35 mm excellent condition.	01-928 3131 Telex 26777
TAYLOR & CHALLEN NO. 4 DOUBLE ACTION DEEP-DRAWING PRESS. Condition as new.	01-928 3131 Telex 26777
VICKERS 200 TON POWER PRESS. Bed 40" x 36". Stroke 8". NEW COND.	01-928 3131 Telex 26777
AUTOMATIC TURRET DRILL—HERBERT 4 station, 2 M.T. Plugboard control. Co-ordinate table. New 1974. Almost new.	01-928 3131 Telex 26777
MACHINING CENTRE. Capacity 5ft. x 4ft. x 3ft. 5 Axes. continuous path 51 automatic tool changes. 5 tons main table load. Main motor 27 hp. Had less than one year's use and in almost new condition. For sale at the third of new price.	01-928 3131 Telex 26777
WICKMAN 34 SINGLE SPINDLE AUTOMATIC. Extensive equipment. EXCELLENT CONDITION.	01-928 3131 Telex 26777
WICKMAN 34 DOUBLE SPINDLE AUTOMATIC. EXCELLENT CONDITION.	01-928 3131 Telex 26777
CINCINNATI CENTRELESS GRINDERS. Sizes 2 and 3. EXCELLENT.	01-928 3131 Telex 26777
4,000 TON HYDRAULIC PRESS. Upstroke between columns 92" x 52" daylight 51". Stroke 30".	01-928 3131 Telex 26777
HEMAN FROUDE DYNAMOMETER. model BFA.13. Test capability: 20,000 hp at 450 rpm £40,000 ex works.	01-928 3131 Telex 26777
COLD HEADERS BY NATIONAL 12 and 14 DSD EXCELLENT.	01-928 3131 Telex 26777
LUMSDEN VERT. SPINDLE GRINDER. Mag chuck 60" x 18" model 711E. Reconditioned.	01-928 3131 Telex 26777
LUMSDEN VERT. SPINDLE GRINDER. 91MLT. Retractable Table 36" dia. EXCELLENT.	01-928 3131 Telex 26777
ANKERWERK 400 TON INJECTION MOULDER. Reconditioned.	01-928 3131 Telex 26777
<b>WANTED</b>	
MODERN USED ROLLING MILLS, wire rod and tube drawing plants—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.	0902 42541/2/3/4 Telex 33644



The following is a record of the principal business and f

1990

## BUSINESS AND MANAGEMENT CONFERENCES

AMSTERDAM-ROTTERDAM BANK N.V.





**BY MARY CAMPBELL**

# Eurosterling out for the count

THE MAIN feature of last week's market was the collapse of Euro-sterling bond prices. With sterling falling sharply last week even against the dollar (it has been declining against other currencies for two months) the the Gestetner issue will be higher than the indicated 10% though exactly how high remains to be seen. The Whitbread issue, having been announced on fixed terms, is going ahead as scheduled.

currencies for two months. The secondary market prices of Euro-sterling bonds were down perhaps three points on average by mid-Friday. They recaptured some of this lost ground on Friday afternoon, but the rally came too late to pull them up to anything like respectable levels.

Recovery is not forecast to happen, and it looks unlikely that the rally will go far enough to bring the prices back to such levels. Examples of bid prices at last Friday's close (with pre-Easter levels in brackets): the London Gold price—£374.5 (the last Finance for Industry—85) (97½); Rowntree Macintosh—94 (97); Sears—85 (97½). These levels put yields at 102 to 11 per cent, as compared with nominal yields of 10 or 10½ when the bonds were first issued. At Friday's low point, yields were well over 11 per cent in some cases.

An immediate effect of the sharp falls was that Morzan Grenfell announced that when fixed to-morrow, the coupon on

than the average Eurobond issue manager, or they have been inadequate in their assessment of market trends. In either case, the technique by which Eurobonds are sold to a wide variety of financial institutions—could hardly have been better devised to spread the word: those institutions worldwide who took Eurosterling bonds, must either have been rate takers, or bought them or, if they held onto the bonds, sitting on a five point capital loss often on top of a currency loss.

Their one comfort is that because of the steepness of the sterling yield curve they can make a much bigger turn by borrowing Eurosterling short to finance investment than in other currencies.

Perhaps the French banks may have the last laugh: a report from Paris last week suggested that Euro-French franc issues may be launched again

become much clearer to-day after the monthly meeting of the capital market sub-committee, has agreed the calendar of new issues for April.	<b>FINNISH COMPANIES</b> <b>TTNorges Kompagnibank</b> (Stockholm) 75 <b>1 American Express</b> 40 <b>IC Industries</b> 35
In the dollar sector, this week is expected to be look very different from last: following the announcement late on Friday of the record \$300,000,000 deficit, dealers were predicting a sharp marking down of prices at the opening to-day.	<b>D-MARKS</b> <b>Deutsche</b> 200 <b>1 Raucard</b> (Stockholm) 50 <b>Finland</b> 25 <b>1 Trondheim</b> 200 <b>Spain</b> 200 <b>STERLING</b>

Quits, apart from the trade	Gabstner	10
Agencies, the overall situation grew	Whitebread	15
noticeably more depressing last		
week. A substantial money	<b>SWISS FRANCES</b>	
supply increase (\$2.1bn. for M1	Europe Restlim. Fund	65
and \$2.5bn. for M2)		
announced over Tuesday night	<b>YEN</b>	
after several days when the	Electrobraze	10bn.
prices had already fallen on the	Malaysia	15bn.
New York bond market as a		
result of fears of rising interest	<b>UNITS OF ACCOUNT</b>	
	Finland of Finland	
	(good Finland)	15
	City of Copenhagen	25

The weakness of the New York market early last week played havoc with the momentum of trading of Canada's three tranches \$750m. issue. It opened at big discounts by U.S. standards and was still trading well below the selling group discounts by the end of the week.

The due for announcement is a subordinated note (FRN) at an 850m. for Japan's Isokawa Harris. The maturity is expected to be seven years with interest payable at a quarter of a point above inter- bank rates or at 53 per cent whichever the higher (the sub- ordinated term as opposed to the FRN for a Japanese non-bank Sumitomo Heavy Industries)

1998	13	*	*	Smith Barney
1992/85	—	—	100	EB, Ameri Bank
1985	7	9	*	Merrill Lynch
1985	7	6	*	Deutsche Bank
1988	8	55	100	Commerzbank
1988	9	51	100	Dresdner
1988	10	6	*	Dresdner
1988	8.6	n.a.	*	N. M. Rothschild,
1990	9.5	10½	100	Morgan Grenfell Kleinwort Benson
1993	n.a.	44	100½	Banca del Gottardo
1990	n.a.	7.8	100	Bank of Tokyo
1988	9	6.5	99½	Dawa Securities
1993	10½	7	100	Kreditbank Lux.
1993	9	7	*	Kreditbank Lux.

\* = Placement  
 U.S. Securities and Exchange Commission  
 Note: Yields are calculated on AIBD basis

1/ Minimum  
 2/ Purchase Paid  
 3/ Convertible

First Boston (Europe) would be lead manager.

In the yen foreign bond market, Malaysia has agreed the terms of its issue, the first to take account of the general cut in rates. Argument on the terms between the borrower and the managing institutions came to delay the announcement of Argentina's issue.

The success of the Indragiri Bank of Finland's unit of account offering has confirmed the likelihood of a steady flow of issues this sector.

## Indices

**NEW YORK**—DOW JONES

	1978						Stance comparison <sup>a</sup>	
	Mar. 21	Mar. 30	Mar. 30	Mar. 30	Mar. 37	Mar. 30	High	Low
In tourism	787.50	768.82	781.78	768.54	785.51	768.56	742.18 (22.62)	101.17 (111.17)
Expenditures	88.84	88.70	88.85	88.77	88.94	88.74 (0.11)	100.11 (20.11)	21.13 (21.13)
Transport	337.18	337.67	337.76	337.88	336.81	337.68 (0.87)	273.58 (74.23)	14.22 (14.22)
Utilities	100.85	100.75	100.50	100.58	100.72	100.88 (0.16)	100.82 (0.04)	10.56 (10.56)
Trading vol. 3037.5	30,180	30,400	30,436	30,436	31,000	10,878	31,000	

<sup>a</sup> Made of values subtracted from January 49

\* Made up from information from August 66

## STANDARD AND POOMS

[illegible]

## OVERSEAS SHARE INFORMATION

**NEW YORK**

Flight	Low	Stock	Mer. S.	51%	48%	45%	42%	39%	36%	33%	30%	27%	24%	21%	18%	15%	12%	9%	6%	3%	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%	31%	32%	33%	34%	35%	36%	37%	38%	39%	40%	41%	42%	43%	44%	45%	46%	47%	48%	49%	50%	51%	52%	53%	54%	55%	56%	57%	58%	59%	60%	61%	62%	63%	64%	65%	66%	67%	68%	69%	70%	71%	72%	73%	74%	75%	76%	77%	78%	79%	80%	81%	82%	83%	84%	85%	86%	87%	88%	89%	90%	91%	92%	93%	94%	95%	96%	97%	98%	99%	100%																																																																																																																																																																																																																																																																																																																																																																																								
50%	80	100	120	140	160	180	200	220	240	260	280	300	320	340	360	380	400	420	440	460	480	500	520	540	560	580	600	620	640	660	680	700	720	740	760	780	800	820	840	860	880	900	920	940	960	980	1000	1020	1040	1060	1080	1100	1120	1140	1160	1180	1200	1220	1240	1260	1280	1300	1320	1340	1360	1380	1400	1420	1440	1460	1480	1500	1520	1540	1560	1580	1600	1620	1640	1660	1680	1700	1720	1740	1760	1780	1800	1820	1840	1860	1880	1900	1920	1940	1960	1980	2000	2020	2040	2060	2080	2100	2120	2140	2160	2180	2200	2220	2240	2260	2280	2300	2320	2340	2360	2380	2400	2420	2440	2460	2480	2500	2520	2540	2560	2580	2600	2620	2640	2660	2680	2700	2720	2740	2760	2780	2800	2820	2840	2860	2880	2900	2920	2940	2960	2980	3000	3020	3040	3060	3080	3100	3120	3140	3160	3180	3200	3220	3240	3260	3280	3300	3320	3340	3360	3380	3400	3420	3440	3460	3480	3500	3520	3540	3560	3580	3600	3620	3640	3660	3680	3700	3720	3740	3760	3780	3800	3820	3840	3860	3880	3900	3920	3940	3960	3980	4000	4020	4040	4060	4080	4100	4120	4140	4160	4180	4200	4220	4240	4260	4280	4300	4320	4340	4360	4380	4400	4420	4440	4460	4480	4500	4520	4540	4560	4580	4600	4620	4640	4660	4680	4700	4720	4740	4760	4780	4800	4820	4840	4860	4880	4900	4920	4940	4960	4980	5000	5020	5040	5060	5080	5100	5120	5140	5160	5180	5200	5220	5240	5260	5280	5300	5320	5340	5360	5380	5400	5420	5440	5460	5480	5500	5520	5540	5560	5580	5600	5620	5640	5660	5680	5700	5720	5740	5760	5780	5800	5820	5840	5860	5880	5900	5920	5940	5960	5980	6000	6020	6040	6060	6080	6100	6120	6140	6160	6180	6200	6220	6240	6260	6280	6300	6320	6340	6360	6380	6400	6420	6440	6460	6480	6500	6520	6540	6560	6580	6600	6620	6640	6660	6680	6700	6720	6740	6760	6780	6800	6820	6840	6860	6880	6900	6920	6940	6960	6980	7000	7020	7040	7060	7080	7100	7120	7140	7160	7180	7200	7220	7240	7260	7280	7300	7320	7340	7360	7380	7400	7420	7440	7460	7480	7500	7520	7540	7560	7580	7600	7620	7640	7660	7680	7700	7720	7740	7760	7780	7800	7820	7840	7860	7880	7900	7920	7940	7960	7980	8000	8020	8040	8060	8080	8100	8120	8140	8160	8180	8200	8220	8240	8260	8280	8300	8320	8340	8360	8380	8400	8420	8440	8460	8480	8500	8520	8540	8560	8580	8600	8620	8640	8660	8680	8700	8720	8740	8760	8780	8800	8820	8840	8860	8880	8900	8920	8940	8960	8980	9000	9020	9040	9060	9080	9100	9120	9140	9160	9180	9200	9220	9240	9260	9280	9300	9320	9340	9360	9380	9400	9420	9440	9460	9480	9500	9520	9540	9560	9580	9600	9620	9640	9660	9680	9700	9720	9740	9760	9780	9800	9820	9840	9860	9880	9900	9920	9940	9960	9980	10000
50%	80	100	120	140	160	180	200	220	240	260	280	300	320	340	360	380	400	420	440	460	480	500	520	540	560	580	600	620	640	660	680	700	720	740	760	780	800	820	840	860	880	900	920	940	960	980	1000	1020	1040	1060	1080	1100	1120	1140	1160	1180	1200	1220	1240	1260	1280	1300	1320	1340	1360	1380	1400	1420	1440	1460	1480	1500	1520	1540	1560	1580	1600	1620	1640	1660	1680	1700	1720	1740	1760	1780	1800	1820	1840	1860	1880	1900	1920	1940	1960	1980	2000	2020	2040	2060	2080	2100	2120	2140	2160	2180	2200	2220	2240	2260	2280	2300	2320	2340	2360	2380	2400	2420	2440	2460	2480	2500	2520	2540	2560	2580	2600	2620	2640	2660	2680	2700	2720	2740	2760	2780	2800	2820	2840	2860	2880	2900	2920	2940	2960	2980	3000	3020	3040	3060	3080	3100	3120	3140	3160	3180	3200	3220	3240	3260	3280	3300	3320	3340	3360	3380	3400	3420	3440	3460	3480	3500	3520	3540	3560	3580	3600	3620	3640	3660	3680	3700	3720	3740	3760	3780	3800	3820	3840	3860	3880	3900	3920	3940	3960	3980	4000	4020	4040	4060	4080	4100	4120	4140	4160	4180	4200	4220	4240	4260	4280	4300	4320	4340	4360	4380	4400	4420	4440	4460	4480	4500	4520	4540	4560	4580	4600	4620	4640	4660	4680	4700	4720	4740	4760	4780	4800	4820	4840	4860	4880	4900	4920	4940	4960	4980	5000	5020	5040	5060	5080	5100	5120	5140	5160	5180	5200	5220	5240	5260	5280	5300	5320	5340	5360	5380	5400	5420	5440	5460	5480	5500	5520	5540	5560	5580	5600	5620	5640	5660	5680	5700	5720	5740	5760	5780	5800	5820	5840	5860	5880	5900	5920	5940	5960	5980	6000	6020	6040	6060	6080	6100	6120	6140	6160	6180	6200	6220	6240	6260	6280	6300	6320	6340	6360	6380	6400	6420	6440	6460	6480	6500	6520	6540	6560	6580	6600	6620	6640	6660	6680	6700	6720	6740	6760	6780	6800	6820	6840	6860	6880	6900	6920	6940	6960	6980	7000	7020	7040	7060	7080	7100	7120	7140	7160	7180	7200	7220	7240	7260	7280	7300	7320	7340	7360	7380	7400	7420	7440	7460	7480	7500	7520	7540	7560	7580	7600	7620	7640	7660	7680	7700	7720	7740	7760	7780	7800	7820	7840	7860	7880	7900	7920	7940	7960	7980	8000	8020	8040	8060	8080	8100	8120	8140	8160	8180	8200	8220	8240	8260	8280	8300	8320	8340	8360	8380	8400	8420	8440	8460	8480	8500	8520	8540	8560	8580	8600	8620	8640	8660	8680	8700	8720	8740	8760	8780	8800	8820	8840	8860	8880	8900	8920	8940	8960	8980	9000	9020	9040	9060	9080	9100	9120	9140	9160	9180	9200	9220	9240	9260	9280	9300	9320	9340	9360	9380	9400	9420	9440	9460	9480	9500	9520	9540	9560	9580	9600	9620	9640	9660	9680	9700	9720	9740	9760	9780	9800	9820	9840	9860	9880	9900	9920	9940	9960	9980	10000
50%	80	100	120	140	160	180	200	220	240	260	280	300	320	340	360	380	400	420	440	460	480	500	520	540	560	580	600	620	640	660	680	700	720	740	760	780	800	820	840	860	880	900	920	940	960	980	1000	1020	1040	1060	1080	1100	1120	1140	1160	1180	1200	1220	1240	1260	1280	1300	1320	1340	1360	1380	1400	1420	1440	1460	1480	1500	1520	1540	1560	1580	1600	1620	1640	1660	1680	1700	1720	1740	1760	1780	1800	1820	1840	1860	1880	1900	1920	1940	1960	1980	2000	2020	2040	2060	2080	2100	2120	2140	2160	2180	2200	2220	2240	2260	2280	2300	2320	2340	2360	2380	2400	2420	2440	2460	2480	2500	2520	2540	2560	2580	2600	2620	2640	2660	2680	2700	2720	2740	2760	2780	2800	2820	2840	2860	2880	2900	2920	2940	2960	2980	3000	3020	3040	3060	3080	3100	3120	3140	3160	3180	3200	3220	3240	3260	3280	3300	3320	3340	3360	3380	3400	3420	3440	3460	3480	3500	3520	3540	3560	3580	3600	3620	3640	3660	3680	3700	3720	3740	3760	3780	3800	3820	3840	3860	3880	3900	3920	3940	3960	3980	4000	4020	4040	4060	4080	4100	4120	4140	4160	4180	4200	4220	4240	4260	4280	4300	4320	4340	4360	4380	4400	4420	4440	4460	4480	4500	4520	4540	4560	4580	4600	4620	4640	4660	4680	4700	4720	4740	4760	4780	4800	4820	4840	4860	4880	4900	4920	4940	4960	4980	5000	5020	5040	5060	5080	5100	5120	5140	5160	5180	5200	5220	5240	5260	5280	5300	5320	5340	5360	5380	5400	5420	5440	5460	5480	5500	5520	5540	5560	5580	5600	5620	5640	5660	5680	5700	5720	5740	5760	5780	5800	5820	5840	5860	5880	5900	5920	5940	5960	5980	6000	6020	6040	6060																																																																																																																																																																																																					

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12 1/2	10 1/4	Amst. Paper	18 1/2	Stocoolen (P. 200)	99.0	-0.6	14 1/2
6 3/4		Agencia Reale	0 12	Stocoolen (P. 100)	23.5	-0.4	16 3/4
59	24 1/2	Amst. Amsterd.	0 12	S.M.M. (P. 100)	127.4	-1.4	-
13	14	Amst. Amsterd.	0 12	St. Murel (P. 100)	39.9	+1.6	18
40	24 1/2	Amst. Amsterd.	0 12	Amsterd. (P. 100)	16.5	+0.3	10
20	17 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	34.5	+0.3	44 1/2
24	24 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	68.8	+0.8	21 1/2
7 1/2	6	Amst. Amsterd.	0 12	Amst. (P. 100)	16.0	-0.4	4 1/2
55 1/2	53	Amst. Amsterd.	0 12	Amst. (P. 100)	15.0	-0.4	13 1/2
30 1/2	30 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	35.7	-0.7	31
17 1/2	14 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	78.5	-0.3	11 1/2
18 1/2	14 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	169.0	-0.3	13 1/2
2 1/2	2 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	112.0	-0.3	16 1/2
17 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	128.9	-0.3	150
14 1/2	14 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	245	-0.3	19
19	22 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	106.0	-0.3	60
19	22 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	119.1	-0.3	14 1/2
4 1/2	5 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	35.0	-0.3	3 1/2
4 1/2	5 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)	414.8	-0.3	38 1/2
9 1/2	8 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
21 1/2	18 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
29 1/2	23 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
32 1/2	26 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
8 1/2	8 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10	7 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
16 1/2	14 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
67 1/2	62	Amst. Amsterd.	0 12	Amst. (P. 100)			
75 1/2	70 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
25 1/2	21 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
15 1/2	14 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
19 1/2	18 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
31	26 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
27 1/2	25 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
14	10 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
30 1/2	26 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
31	29	Amst. Amsterd.	0 12	Amst. (P. 100)			
47 1/2	37	Amst. Amsterd.	0 12	Amst. (P. 100)			
19 1/2	16 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
31 1/2	27 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
31 1/2	27 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
19 1/2	16 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
11 1/2	9 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
11 1/2	9 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
14 1/2	12 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
8 1/2	6 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
4.05	3.25	Amst. Amsterd.	0 12	Amst. (P. 100)			
16 1/2	14 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
35 1/2	30 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
25 1/2	21 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
18 1/2	15 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
2 1/2	4.70	Amst. Amsterd.	0 12	Amst. (P. 100)			
42 1/2	38 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
47		Amst. Amsterd.	0 12	Amst. (P. 100)			
32 1/2	26 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
28 1/2	24 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
17 1/2	15	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	7 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
30 1/2	26 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
17 1/2	15	Amst. Amsterd.	0 12	Amst. (P. 100)			
34	28	Amst. Amsterd.	0 12	Amst. (P. 100)			
4.95	4.40	Amst. Amsterd.	0 12	Amst. (P. 100)			
2.70	2.30	Amst. Amsterd.	0 12	Amst. (P. 100)			
18 1/2	16 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
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10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0 12	Amst. (P. 100)			
10 1/2	13 1/2	Amst. Amsterd.	0				

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Monday April 3 1978

مكتبة الأعمال

# INFORMATION HANDLING

Automation of office work is perhaps nowhere better illustrated than in the rapid growth of information handling techniques. Spurred on by the computer and other machine aids, it is a process which seems likely to become one of the most powerful influences shaping business practices during the coming decades.

## Model of a growth area

by Max Wilkinson

THE GENERATION, handling and sale of information in the U.S. is now estimated to account for about half the Gross National Product following a flood of remarkable growth which seems set to continue for at least the next decade.

The huge size of the information handling industry—defined the broadest terms—is somewhat not appreciated by those who look only at the costs of processing machines, which represent only about 2 per cent of GNP in the U.S. and between 1.5 per cent and 1 per cent in Europe.

The total cost of handling information, however, includes a large labour-intensive input services sector and its workers in

banking, insurance, administration and in manufacturing industry itself. By the end of the decade about half the U.S. labour force is expected to be working in offices compared with about 35 per cent for the advanced nations of Europe.

A growing proportion of these office workers is already associated with mechanical or computer-aided equipment for handling information, and in the next five years or so it is likely that the scale of automation will increase rapidly.

Broadly, information handling equipment can be divided into two categories: the traditional systems based mainly on transfer and storage of paper, and the modern rival—electronic means. It is possible to think of an absolute distinction between offices where every transaction is in the form of a memorandum and all filing is done manually compared with the all-electronic system in which almost nothing is written down in visible form. However, in most businesses a compromise has to be reached between the flexibility and power of a computer-based system and the inherent convenience of paper.

In spite of the enormous increase in the amount of computerised data, the procedures in most British businesses today are still basically traditional, although efficiency has been improved enormously by labour-saving techniques of which the four most important are: dictation equipment, copiers and duplicators, auto-

matic typewriters and the newly developing facsimile transmission equipment.

The development of the copier market to \$2bn. a year world revenues has been the most spectacular feature of information handling. The Japanese companies, Ricoh, Canon and Konishimoku, and IBM and Kodak have joined in the fierce fight to displace the Xerox Corporation and Rank Xerox from its former monopoly of the business.

### Impact

Plain paper copying will clearly continue to have a major impact in reducing the amount of repetitive typing, while at the same time increasing the available flow of information. Even in the longer term, there will be a large number of requirements for copying, which cannot be replaced by electronic means.

However, the electronic challenge is already beginning to be felt, and it is significant that while IBM was moving into the copier market, the Xerox Corporation was diversifying into the electronic typing field with its 800 word-processing system launched in 1974. Xerox is estimated to have some 55 per cent of the total \$2.6bn. market for electronic typing.

Electronic typewriters compete to some extent with copiers because they can produce multiple copies from a magnetic tape, card or disc. However, even with the fastest printers,

this is likely to be a slower and less cost-effective process than copying, unless there is a need to make alterations to individual documents.

Electronic typewriters with magnetic memories may, however, make a substantial dent in the copier business by a more indirect means, when according to most predictions about the "office of the future," they are expected to change business procedures. For Xerox, which still retains 90 per cent of its revenue from copiers, this change-over to electronic systems is viewed with a mixture of apprehension and enthusiasm.

The major change will undoubtedly come about by the establishment of data processing networks, first in individual offices, then throughout organisations and eventually through national and international switched systems.

In this process, the development of the microprocessor, or "computer on a postage stamp," and the introduction of fast cheap solid state memories will have a crucial part to play. At present systems which allow a typewriter to be driven from a magnetic store cost between \$3,000 and \$15,000, and the more powerful systems tend to be quite bulky.

Within about five years, however, it should be possible for most of the computing and memory power to be accommodated within a typewriter-sized keyboard with a small television screen attached.

Although projections of costs are hazardous, it seems safe to predict that the real cost will be low enough to make such systems at least as common as the electric typewriter is at present.

A microcomputer board capable of 8,000 characters storage and about 200,000 calculations per second can now be obtained for about \$500 or less per unit in quantity. This is considerably more powerful than the IBM 1401 computer which was selling for about \$50,000 in 1960. By 1982, manufacturers will be able to buy a single component the size of a domino which has the performance of such a modern mini-computer. The cost will be about \$20 to \$30 on current trends.

It is obvious that cost reductions of the order of ten times can only be achieved if they are accompanied by a corresponding increase in sales.

### Cautious

It seems likely therefore that very substantial computing power and electronic memories will be liberally distributed throughout offices in a way which is almost unnoticeable to the ordinary user. Typewriters will, in short, be made "intelligent" and will be linked to internal telephone systems and larger libraries to form a continuous network.

Although most companies are

still showing a cautious, not to say conservative approach to these developments, some organisations, mainly in the U.S., have chosen to change over to all electronic communications. Such a system can, in theory at least, make paper communications almost obsolete.

All internal communications including memoranda, reports, marketing, sales figures and production schedules are typed into an electronic terminal which either stores the information on tape or forwards it to a central file. Other departments wishing to gain access to a particular document use a television screen which can be used to edit either their own or other people's work. Printed copies can be obtained if necessary, but there is some evidence that when people get used to working from a television type of display they gradually become less reliant on paper records.

Eventually electronic information systems within an organisation are likely to become integrated with the microcomputer systems used for process control in the factory itself; for it is obvious that information generated on the minute, by minute production process may be an important part of the data required in a company's overall information handling system.

Such systems require complicated software (programming) to organise the central files, to ensure that access to relevant information can be obtained as easily as possible, and to restrict

the use of certain files to particular executives or departments. One such system aiming to provide a completely integrated industrial system is Sperry Univac's Unis/90 system aimed principally at fabricator or assembly types of companies.

### Slowly

Other systems are available, often aimed at a particular sector of the business community. However, the complete electronic integration which is now technologically possible will probably only gain acceptance relatively slowly. One reason is that few companies at present have a coherent policy towards information processing.

Mr. Terry Hart, managing director of Jaquard Systems, identified seven separate aspects of information processing concerning: data, words, messages, communications, voice, facsimile and video. All these aspects can eventually be integrated since software is now being developed which will allow computer systems to respond directly to voice commands or to read written characters.

Many companies, however, have separate departments dealing with data processing, telecommunications and office management. Only where these various departments come together under the direction of senior management is there a chance of a complete change-

over to electronic information handling.

Even where the organisational structure is favourable, management are likely to be wary of committing large capital expenditures to a project until they are absolutely certain that they will not be let down by the software. They may also have doubts about spending money on systems at a time when prices are still falling.

It is likely, therefore, that developments will continue to be piecemeal with a number of differently defined markets growing independently. Word processors, small business computer systems and "intelligent terminals" may eventually become indistinguishable, but for the time being they are likely to be sold to satisfy differently perceived needs.

The main problem which the industry still has to solve, therefore, is one of compatibility. Many of the machines in different market sectors will eventually need to be linked to each other. This is particularly true of word processors which are already evolving to become computer terminals and will increasingly be linked together like teleprinters.

To make progress in the desired direction, the industry also needs a better conceptual framework which will bring together the various different developments in a way which can demonstrate the advantages to potential users without sounding too much like science fiction.

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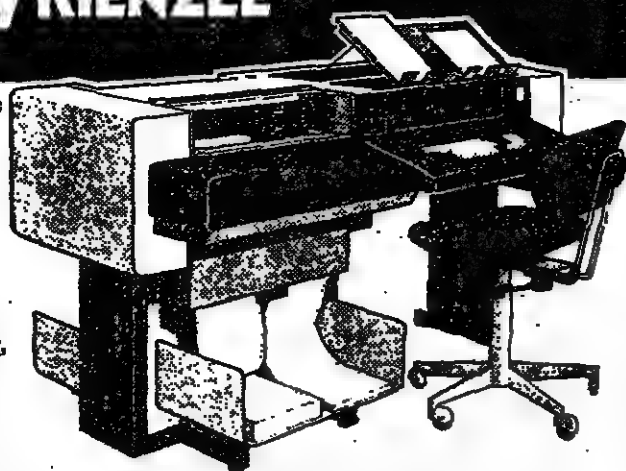
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# Small computer systems

TWO EVENTS in the past few weeks, though apparently unrelated, show very clearly just how far the computer industry has moved from the palm days in which it was claimed that an all-powerful central computer might cost the earth "but will revolutionise your company to the benefit of all."

One of these events is the appearance, very close to each other, of what can only be described as "supermini-computers," one from Digital Equipment Corporation and the other from Data General. And both of these computers have the common characteristic that while they do not require the kid-glove treatment that is still demanded for large general-purpose machines, they nevertheless can compete with equipment costing six times as much and more so far as ability to cope with a workload is concerned.

The other event is the sale by Telefile Computer Products of advanced technology memory both to CSC and to Comshare - large bureaux in their own right. The key fact is that both are users of Xerox Data Systems machines, a company taken over two years ago by Honeywell.

But they wish to retain these machines, although Honeywell would dearly love to see them go. And Telefile, by providing a vast expansion in memory and in performance, is offering CSC and Comshare a new lease of life on their XDS machines of anything between five and ten years.

Another interesting fact is that the Xerox machines, despite their obsolescence, have yet again come out on top of the "list compiled annually by Data-oro in the U.S., which sends round robins to users asking them to say how their equipment is performing. Xerox was followed by Amdahl, DEC and IBM."

Now it is likely to be some time before Data General's M-600 and DEC's 2020 appear on a commercial guise. Both would be much too powerful for a small business, and while business languages for both would be available, a certain amount of rewriting would undoubtedly be needed before they could move into a larger business environment. But the step has been made. New users will certainly be tempted.

This spells increased competition for the run of the mill machines in the middle range. And if many more companies follow suit and make it attractive for computer users to remain with obsolete machines for much longer than anyone would have anticipated, marketing in the middle range will become even tougher.

This is fine for users and the makers of the minis which go into small business systems. But what are the companies traditionally associated with large general purpose machines doing about it, particularly after the sharp price cuts they introduced for these last year?

On the basis that "if you can't beat 'em, join 'em," practically every such company has brought out a mini of one sort or another, or has equipment that could be described as a small business system.

## Vying

This is not preventing rapid growth at Nixdorf or Philips, vying with one another for leadership in this sector in Europe. Nor is it slowing down the development of Olivetti's intelligent terminal policy, in which the terminals are becoming more and more intelligent as the electronics become more sophisticated, so that many if not all can function independently of any central unit for long periods.

For ICL, small business systems has spelled success. In the 2903 series, with 2500 worth £2800, installed or on order, and in the Singer range, where computers are being ordered in tens at a time. Though the company is reticent, it seems clear that together, the small machines are earning far more than the big 2900s.

And the smaller software groups are continually providing functions and packages that ICL has not yet developed or does not intend to develop. On the same lines and for the same reasons the launch by IBM of System 32 and latterly the

Series 1 mini, virtually without many man-years of work on a trouble-free operation, has brought out a great deal of support that would not otherwise have been forthcoming.

But IBM appears to have far too many lines going at the low end. They include the Series 1 mentioned above, the 115 and 125 from 370; System 6 - largely office-oriented; System 32, System 34; the System 5 group of machines that should by now have been superseded, though many users are hanging on to them as tightly as they did with the 360/30s; and in some special situations, System 7.

It is a bewildering array of equipment and some users are wondering where to turn. Which is probably why there are so many rumours around of an all-embracing E-series of machines which will take over gracefully where the above leave off, and also shade into the larger machines of the 303X range, the first three of which at the top end have been announced since the middle of 1977.

It would be stretching a point to say IBM is in disarray - with earnings progressing as they are, this "disarray" cannot be doing the company much harm. But such apparent indecision is uncharacteristic and points to a failure of the powerful marketing faction to understand that selling and supporting a firm machine is totally different from placing a £20,000 tidder. Maybe this is why one of the most recent rumours to come from the U.S. is that IBM might set up a series of "computer shops" in which to sell its small equipment.

Burroughs has made a particular point, ever since it scooped the U.K. bank terminal market at the time of decentralisation, of wooing the small user. And NCR, finding a new lease of vigorous life, is revitalising its whole range and extending it from high street shop level up to a machine that matches the biggest from any source except perhaps CDC. Honeywell has a wealth of small machines and its own minis to allow even the humblest user to go distributed if he so wishes.

Univac, which has just shelved its plan to create a single product line out of the word-oriented 1100 series and the IBM architecture type 80 series, is also planning extension of low-level business systems starting far below its 90/30, itself a small business system. Why Univac abandoned work which ICL carried through to the bitter end at the demand of successive U.K. governments (to merge the 1900 and System-4 ranges in the 2900) is not clear. The Univac hesitation has been ascribed to potential user resistance, as the products coming out of "Project Roanoke" would have demanded some software transcription effort on the part of users of the replaced machines.

## Supported

Be that as it may, Univac has low-end equipment, supported and sold in the U.S. for about a year, which is now to be marketed in Britain and Europe. BC/7 starts with the 611 machine where the accounting machine leaves off. A number of improvements and enhancements have been made for delivery later this year, and the company should have a market base of 1,000 small systems in the U.S. about now. This is not the "Acorn" machine which is Univac's answer to Series 1. And it has nothing to do with the Univac acquisition of the Varian line of high-powered minis.

But BC/7 could present a growth path problem if no orderly progression is possible from the largest of these machines to the smallest of 90 series. Since there are probably 60 mini-computers suitable for business applications, it is not possible to look at them all here. But Datapro, the U.S. market research group, put Basic/800 machines at the top of its 1977 "happy user" list. And to sound a cautionary note, it is appropriate to quote from a response to a Computerworld questionnaire by Basic/800's director of marketing support, Chuck Muhle. Asked what users should be able to expect from his system, he said bluntly: "Users should expect

1. Impending legislative penalties or payroll cuts implemented on an ad hoc basis; 2. Expanding volume of business which is jeopardised by limited space or capacity with existing systems; 3. Faster production of cash flow is needed; 4. Certain knowledge of similar company with a successful computer; 5. The need to tackle new problems or obtain information from a section of the company members who have a particular passion; 6. DPMA adds that no firm user should consider buying a computer simply because he believes, without any real evidence, that it will save money.

Ted Schoen

## New brand of home service

A GOOD CASE can be made out that the single most important development of the second half of the 20th century (barring a nuclear holocaust) will be the application of computers to everyday life.

In this process, the Post Office's Viewdata system may well play a crucial part. The system was, indeed, described by Mr. Peter Benton, Managing Director of Post Office Telecommunications as being perhaps as important as the development of the telephone itself. Others have described Viewdata as the beginning of a truly electronic society.

The appeal of the system is that it combines two common, mass produced pieces of equipment, the television set and the telephone, to make what has hitherto been an expensive and esoteric item, a computer terminal.

The system allows modified television sets to be connected by ordinary telephone lines to a network of central computers which will be able to store an enormous amount of information. Viewers will be able to call up timetables, stock market prices, financial information, advice on sports and hobbies and eventually classified advertisements of all kinds.

The futuristic possibilities arise from the fact that viewers will be able to communicate back to the computer, to hold two-way dialogues, to call up and interrogate various parts of the computer memory and even to send typed messages to be displayed on the screens of other subscribers.

Since the cost of modifying a television set to accept Viewdata will eventually be quite small (perhaps £20 to £30 at present day prices) it is likely that a complete national even world network of interconnected computer terminals will be created. (At present, however, a modified colour set costs around £700. A special purpose monochrome set will soon be available for around £200-£300.)

The television screen will then become, not merely a ubiquitous medium for entertainment, but the means of instruction and communication as well. The system allows subscribers to use a small remote control keyboard to send messages to the computer which will be called up by a push button dialling code over the ordinary telephone network.

The public service will start next year with some 200,000 stored pages of information, but eventually many millions of pages could be stored since the capacity of the system is theoretically almost without limit.

The advantages of Viewdata over conventional computer bureaux are its flexibility and cheapness. The equipment cost is now only a few hundred pounds compared with perhaps several thousand for a conventional computer terminal. Consequently Viewdata will be able to appeal to much wider markets.

The Post Office intends to act only as a carrier which will sell space on its computer memories to any organisation which is interested. These organisations will be able to buy pages (the amount of text which will fill a television screen) and in turn charge subscribers from zero to 50p a page if they wish to call up the information.

Almost certainly the first users will tend to be businessmen, brokers and other specialist users. The system will probably also be an economic proposition for clubs and social interest groups who wish to transmit data to their members.

One of the most interesting possibilities, however, concerns the development of a truly mass market for Viewdata services when a large proportion of the population could be able to access the data available. Costs to the providers of information could be defrayed over a large number of customers, and the economies of scale would have the same effect as in any other mass market.

advertising medium than most existing newspapers. At least with present technology, the price per unit of memory stored on computers has been falling steeply and will continue to fall for the foreseeable future. The cost of telecommunications is also likely to fall in real terms, while the costs of paper and newspaper labour continue to rise. It may well prove therefore that advertisers can afford to keep very large stores of information either on Viewdata computers or separate computers of their own which will be compatible with the Viewdata system.

Registers of houses, cars, household goods and other items for sale are likely to be kept in regional computers, but because of the national telephone network, the register of houses for sale in any region could be obtained by a trunk call from any other part of the country, or indeed, from anywhere in the world.

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## Registers

Initially these electronic registers of classified advertisements may be similar in form or may duplicate the ordinary print-out classified part of newspapers. But in principle at least, Viewdata advertisements can be scanned in a more flexible way. Because they are stored electronically on computers, the advertisements could be reclassified by quite simple computer programs. Thus, if a potential buyer wished to find a house in a particular area within a specified price range, he could tune in his request and the available houses would appear instantly on his television screen. This degree of sophistication is not yet available, but there can be little doubt that it will be, sooner or later.

Similarly, the computer should be able to bypass the complexities of rail or airline timetables by answering a request, for example, for all the trains from Stockton to Manchester, with changes, on a particular day. This would be similar to the computer service provided by airlines at present.

Several interesting ideas for exploiting the possibilities of participation by viewers are now being explored. The first stage will be the provision of computerised games like noughts, chess or backgammon. Advertisers are likely to exploit the interactive capabilities in two ways: first, viewers will be able to respond directly to general advertising campaigns by punching a button if they wish their name and address to be forwarded automatically to the advertiser. The viewer's ability to respond could also be used very efficiently for making market

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# INFORMATION HANDLING III

## Bewildering choice of terminal equipment

THE OLD CHINESE curse "May you live in interesting times" might well have been addressed to the DP Manager or Director facing peripheral terminal technology in the 1970s, and trying to work out what to do, what to use, what to rent or lease, and the operational possibilities within the scope of his company's next five or even year plan. For he is faced now with a bewildering choice of technical options, and a rapid change in price performance parameters.

We can do some analysis. There are two areas to consider: peripheral devices within systems, and peripheral devices for input/output. In the first group, storage technology, communications, controllers and special processors, and special processors, are back end philosophy which now becoming popular among technically literate.

Storage is changing. We are beginning to be able to put together within systems a hierarchy of storage devices, both function and usage related. This means simply that the storage in a large system may not be the same as in a small system. We now have a flexibility which was denied us for many years. Computer systems have been able to do simple collections of easily identifiable-use storage and a processor. Core, disc and tapes have been successful. LSI main store, LSI add-on store, discs of a bewildering variety of packing densities and speeds—and differing technologies, with Winchester on one side, the technology in which the read-write heads move with the disc pack, and the conventional technologies on the other. And within this read-write area, different types of surfaces and different mechanisms are now available.

LSI storage too is in a state of change. To-day's mainframe will have its storage based on 6k chips, at least if it claims to be the state of the art, though surprisingly some major manufacturers are still basing such storage on 1 and 2k chips. Within the next three years we expect that 32k and 64k chips will become the state of the art. This means that main storage is unlikely to be a limit

ing factor in the future, though I/O may become an even more serious problem. In some centralised systems, further down the road comes the lynch chip, at which point totally different architectures become possible. Meanwhile, however, LSI memory has spread throughout systems—without it indeed the intelligent terminal as a standard mass market product would not really be possible. The entire philosophy of distributed computing is based on the existence of LSI cheap storage, which can then be spread throughout the system.

Price performance trends in disc storage, which is where mainframe users keep their files and databases of time are more and more becoming worth thinking about. A quite standard projection within the industry is that the cost per bit of disc storage between the years 1975 and 1980 will fall from ten to the minus four.

It has been running at this rate, though not evenly, for some time. But simply this means that costs of disc storage in 1980 will be a tenth of the 1975 cost. This comes not simply from the benefits of volume production, but also from the changes in technology, some of which were mentioned above.

Change is continuing. We can foresee packing densities increasing six-fold by 1985, though manufacturing costs within that time are unlikely to rise, at least in real terms, by more than a few per cent.

### Ceased

As for tapes, the traditional tape drives have ceased to play an important role in computing. True, everybody has them, but they have become devices on which one stores data and programmes off-line, a reference library. Tape was expected to make a comeback with the rise of the automated tape library and the tape cartridge, but the first has not happened because access speeds are too slow, and the second is making its impact on the periphery of the market, down in small terminal devices fields.

The tape cassette business is booming, and will come even more into its own when such systems as Viewdata come fully into use. And then there is the floppy disc, a good programme loading device, or useful in storing data among the small on-line systems.

As if this was not enough, built in as the terminal need

not be restricted to word processing functions. This mare's nest is not easy to sort through. We have left with 92K of bubble memory and there are four others at least claiming to have bubble memory product on the market, though so far this has hardly been seen this side of the Atlantic.

There is also the technology of electron beam access mass storage, which again seems so far to have only been sold to a few major users in the U.S.A.

Change is also happening in terminal technology. What has been remarkable in the 1970s has been the rise of VDU technology, and the virtual eclipse of the teletype-like terminal. True, these still account for a large part of the installed market base. However the great growth has been in the quieter use technology of the VDU.

But there are problems. It might be expected that terminal compatibility would improve as the market developed. In fact, the reverse has happened. The technology on the market is basically standard. Gas panels, and colour are still at a high premium. The characteristics are a different matter.

The problem is that the terminal is now no longer always an unintelligent device; local storage complicates matters as does the amount of intelligence built in, which can vary widely. It would be very easy to bewilder the reader with a long list of terminal numbers and terminal functions. It is much better to consider the reason for the bewildering variety which exists.

What has happened is that terminals have been broken down into functions. There is a number of different classes for different tasks, and the issue is complicated by the number of manufacturers of incompatible systems who make their own, with their own variations built in.

So we have a situation where characters per screen differ from manufacturer to manufacturer, though there are some standard formats. Cursor arrangements will often differ, as will the way the data is brought up or down. And of course speeds differ considerably.

Just to complicate matters, coming up is the technology of the word processing system, a further adaptation of VDU technology, which may well have considerable flexibility built in as the terminal need

not be restricted to word processing functions.

This mare's nest is not easy to sort through. We have left with the Model T Ford days. Terminal capability is now available to meet a wide range of uses, and just as wide a range of system configurations, whether the terminal is to be used as a simple output-input device, with all intelligence concentrated at the CPU end, or whether the system has to be one in which there is both local intelligence in some form, itself related to function, located at the terminal end, which the terminal itself contains or can access differing modes of data transmission, say conventional and packet switched.

### Printers

Lastly, there are printers. The variety is not quite as bewildering, and costs are falling. The most interesting developments are found in two areas, the high quality expensive end, such as IBM's ink jet printer system, which runs at 92 characters a second and can be expected to go up to over 200 within a few years.

This is for good quality print, a potentially explosive impact on printing as we understand it. Ink jet printing gives such clear resolution and high print quality that it may well cut into traditional printing methods.

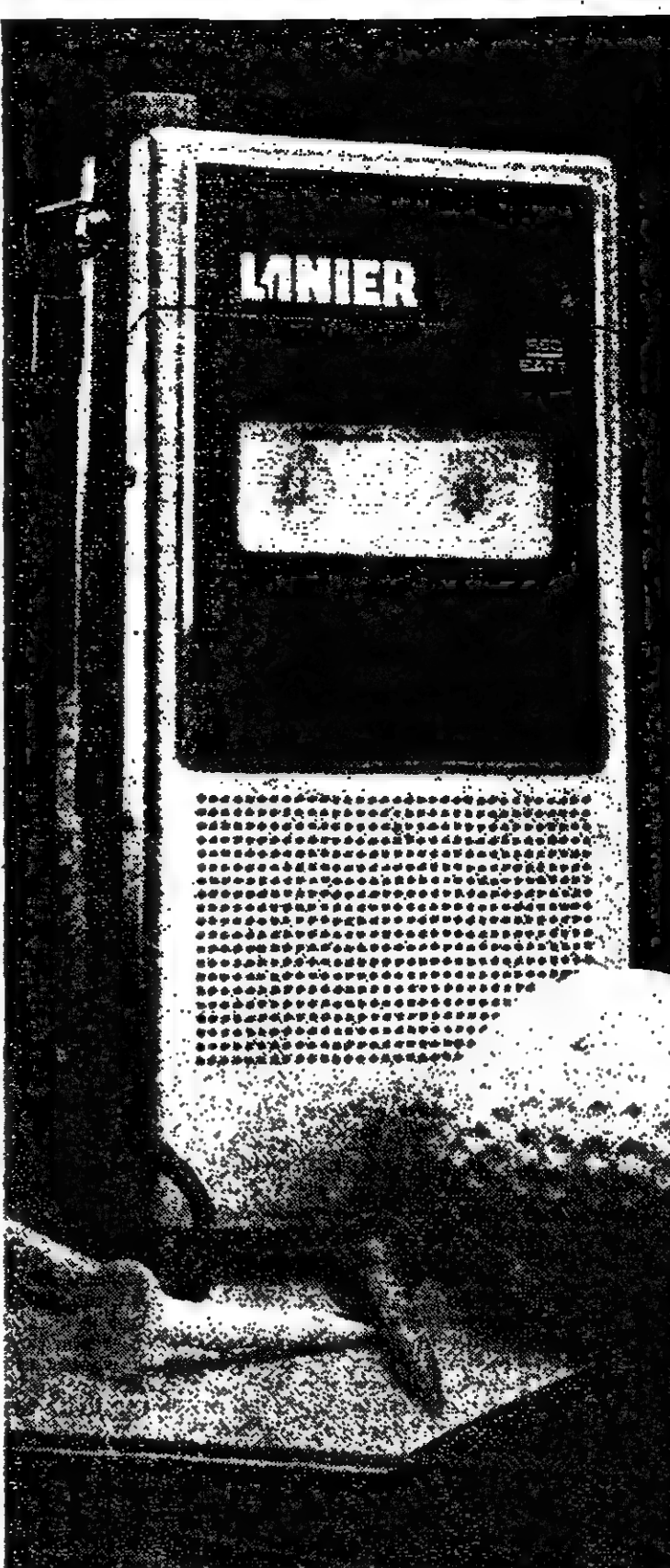
At the other end, we have the development of the small cheap optical printer. A good example of this is the 40 character printer which has been shown in Viewdata presentations. For all that the manufacturers are talking the costs up, a close look at it would indicate that if it cost more than £15 to manufacture, someone somewhere is going to be making rather more than a marginal profit.

So far, the thesis has been that the user now has a great variety of options, that even without considering all in any detail word processing, even mentioning the on line intelligent typewriter, looking at the impact of distributed processing, or considering the large number of clustering options available, there is enough variety to bewilder the manager, and make him seek help.

We are once more in a time of change, and it is in such times that mistakes are made. The old Chinese curse I suspect is not so much a question as a positive statement.

Rex Malik

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## LANIER®

## Data communications

ALL GOOD STORIES begin. Once upon a time... And this is no exception. Once upon a time, indeed a very long time ago, in the early 1970s, there was a large company in which senior management was aware of data communications. You had to dig quite deep into the annual DP budget and the regular management reports before it became apparent that the subject existed, and that the company had data communications expenditure.

Last year, the subject was covered at board level a number of times, consultants were commissioned, reports were written, decisions were made, future possible requirements were studied, arguments blossomed, rows raged, and a generally good if nonconclusive time was had by all.

The reason was that back in the early 1970s the company's data communications were seen as part of the DP effort, a technical means to a particular end, which was simply data processing.

Last year, the company started to do what a number of others had done and more are doing: it looked at the reality of communications, identifying costs, and finding out in the process that its total communications bill was surprisingly large. What they had done was to look at all inter and intra-company communications, and to isolate all costs of communication with the outside world. Telephone, post, data transmission, the use of messengers, all had been looked at. They had, they said, been quite simple minded about it all. It was all data that was being sent or received, and the question they were interested in was a simple one. How much of this was likely to be subjected to digital techniques within the next four or five years.

What was interesting was the basic assumption that with digital techniques went cost control, and the equally basic assumption, a predictable speed of response, which was all important operationally.

by enthusiastic salesmen. What had happened was that they had grown from a couple of batch computer systems to a point where they now had a couple of star networks based on sizeable mainframes, they were using remote job entry terminals, interactive intelligent terminals, accessing time sharing bureau, remote databases, and starting facsimile transmission between a couple of sites.

All this had been growing without central planning or direction, until someone had started to do some sums, looked at some of the effects of the speed-up of the information flow process, and had decided that it was time that senior management began to find out what this was all about.

But data communications is not a subject solely of concern to large corporations and large organisations. It is becoming increasingly common to talk of communications and computing as a converging technology, and this is true. But why it is happening is not generally understood, nor the pace at which the changes are taking place.

### Easy

The last is easy to illustrate. Three years ago, an ICL user wanted to link a terminal in Aberdeen to a 2803 computer in Marseilles. He found that the only thing he could do was to buy another 2803 and have one at each end. A couple of weeks ago, ICL in announcing some new 2803 models stated, "Larger 2803 range systems are now capable of supporting over 100 terminals." That is the measure of the change, and that from a company which has generally been slow to make the switch to communications.

Why is it happening? In large part because the instant answer system (instant being defined as the time scale which suits the user rather than the technology) was always inherent in computing. The batch computing systems which were the only mode available for the majority of commercial users throughout the 1960s and the early 1970s were

the result of a thrust by the market leader, IBM. The problem was that IBM was unable to provide communications oriented computing in quantity and what it did provide was not competitively priced against conventional commercial batch.

Yet it was always apparent that the instant response market was greater than the batch market, at least in the long term if not in the short, for batch is really no more than a subset of the instant response market; indeed batch might well be the "instant" response that the application required.

What is happening now is the result of a combination of several factors. First, as computing, hardware technology becomes cheaper, the market broadens, and standard software systems, applications packages, and the like are opened out when their economic base becomes large enough.

As a rough and ready rule every time the function halves in cost, the market doubles. The rate at which this is happening is phenomenal, with costs currently seeming to halve every two years. Consider that in the U.S. market IBM has cut its purchase prices for large mainframes in terms of price performance by 55 per cent in the last seven months. Though this is not yet matched in other areas, the new disparity between CPU and peripheral costs cannot be held for too long, and are bound to drop. Conversely, staff costs are currently doubling at a five to seven-year rate depending on where you look.

Second, as the market increases in size, the pressure for digital transmission services mounts. In America, data communications now account for between eight and ten per cent of the average commercial DP budget, and Europe cannot be far behind. At that level, data transmission costs become visible to management. As important, it becomes visible to the P.O. and the PTT's. It can no longer be carried simply as an adjunct of voice traffic. What is more, the PTT's begin to see profitable markets, growth which they are unwilling to let

others have. The result is a fight between the DP and communications industry, which in turn spurs the development of technology.

Thirdly, inflation and tighter economic circumstances in the 1970s have probably had as much to do with the growth in data communications as changes in technology. We may all be generally technology driven, but in the areas of billing, accounts receivable, stock and cost control, any tools which can promise more for less, which cut time and slack, are bound to find greater use. U.S. figures again give some idea of the trend. From 12 per cent of DP systems having some communications orientation in 1967, to somewhere in the 60's to-day, with expectations of 83 to 87 per cent in 1980, indicates a quite radical shift.

Time-sharing

These figures indicate the growth of on-line bureau services; time-sharing, whether for engineering or commercial applications, or the provision of access to on-line databases. It is interesting to note that these are getting to be easier to use, for once you begin to market outside the area of the Fortune 500, you can not presume that users will have their own in-house economists and statisticians and you must interact directly with management. Secondly, complex charges seem to be generally being reduced to simple, directly related to usage charges.

So some knowledge and interest in the data communications is now essential somewhere in the management of the average company. That knowledge is going to have to increase, for the trend in digital communications is itself increasing. What many have missed is that the P.O. and PTT's are gradually going over to digital communications. Increasingly, voice, computer data, facsimile are going to be transmitted digitally, which means that eventually they will be treated equally.

Rex Malik

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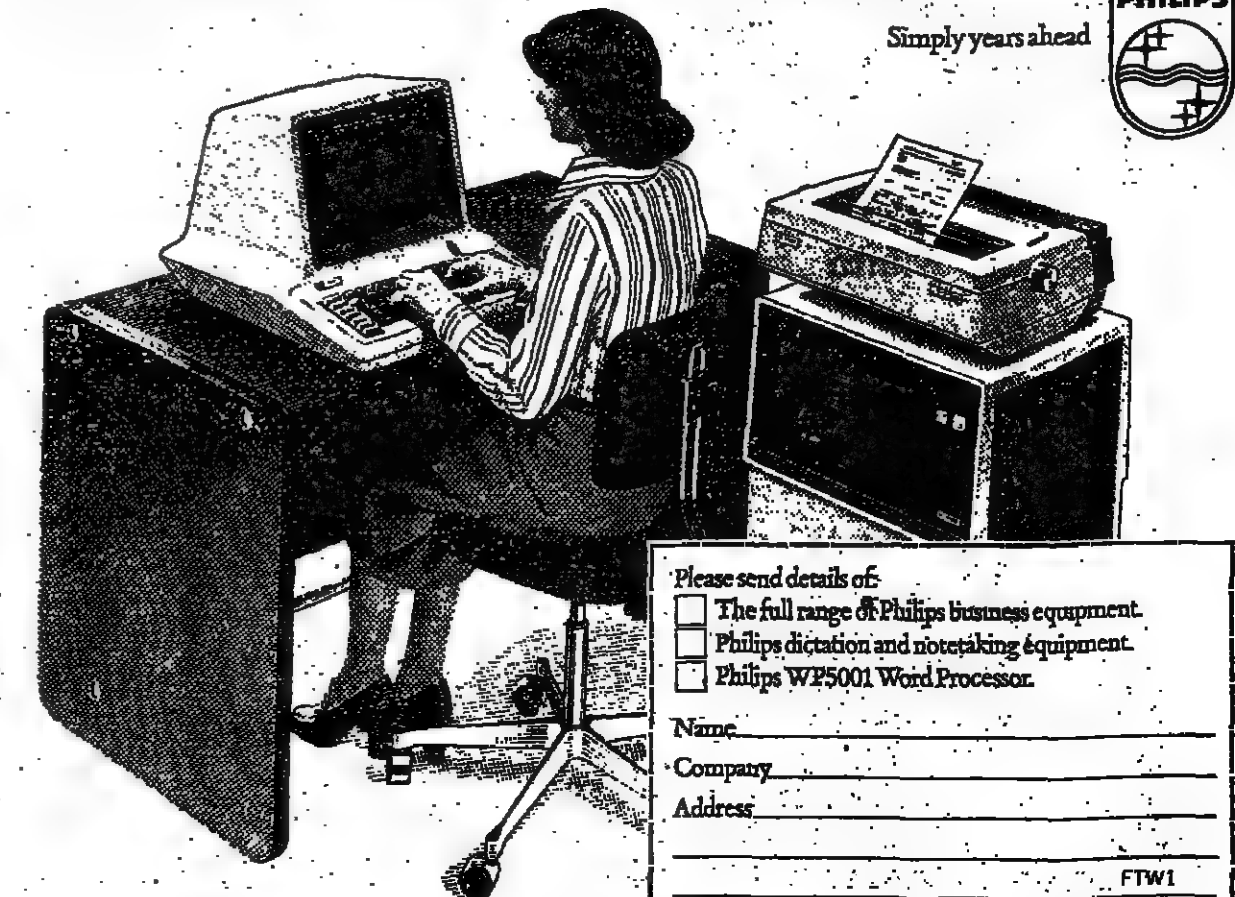
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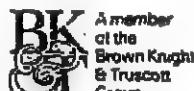
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# Word processing confusion

THE WORD processing market, in the U.K. at least, still seems to be held back by a great deal of confusion about what exactly the concept means.

A variety of figures has been produced to show that automatic typewriters and other aids can bring substantial productivity benefits, and a very large number of manufacturers have joined the general marketing effort to make companies aware of the potential benefits.

But it may be that the bewildering variety of systems available from over 40 companies world-wide has proved an obstacle to managers who have to consider further investment in the office.

The variety of companies is matched by confusing differences of approach and a great deal of uncertainty about future price levels and performance. Technology in this area is still advancing so rapidly that a cautious manager could be excused for worrying whether today's purchase will be made obsolete within a very short period.

On the other hand, companies which fail to take advantage of the productivity advantages which are already available risk being overtaken by competitors which are able to make a substantial pruning of office overheads.

Word processing, which is sometimes taken to have the restricted meaning of automatic typing, is not as modern a concept as it is sometimes supposed. As far back as 1914 a type-writer driven by punched paper tape on the planola principle was used to produce standard letters.

It was not until 1964, however, that IBM adapted the principle to the use of magnetic tape storage. Even then the eventual versatility of the machine was not fully appreciated, even within IBM.

The concept of "word processing" as an all-embracing technique for the production of documents originated subsequently in Germany, and undoubtedly helped IBM to gain acceptance for its equipment. On this definition, word processing includes dictation equipment and electronic switching to enable the work dictated by office principals to be shared efficiently between members of a typing pool.

In the third case of a secretary, still in the department, but working from a dictating machine, the estimated productivity gain is about 150 per cent. Even greater productivity is possible where a typing pool is used.

These theoretical figures appear to be broadly in line with the various studies which have been made of the use of word processors in practice. IBM, for example, found that the change to word processors among its 500 typists in the U.K. led to a productivity increase of 148 per cent.

In the case of a large organisation with a heavy typing load it clearly makes sense to consider dictating equipment at the same time as automatic typing of computer-aided text processing. For investment in expensive text processing equipment could be wasted if the process of transferring the manager's ideas to the typist is itself very inefficient.

Mackintosh Consultants, for example, produced some interesting comparisons of the productivity gains to be expected from secretaries working from different categories of original material.

In the case of personal secretaries working largely from handwritten drafts, the productivity gain from changing from an electric to an automatic typewriter was estimated at about 25 per cent. A large part of this improvement is attributable to the fact that an automatic typewriter which stores every keystroke on a magnetic card or tape saves revision time. Mistakes made by the secretary or her principal can be corrected without retyping the whole page. Similarly revisions can be made without retyping, and, in most systems, the text will be automatically realigned to accommodate insertions or deletions.

### Located

The second case considered was that of a secretary working from shorthand dictation and also located within the same department as her principal. Clearly shorthand dictation is intrinsically inefficient because the secretary is losing potential typing time while she is taking notes. But in this case the change to an automatic typewriter was estimated to lead to a 75 per cent improvement in productivity.

From an efficiency point of view a shared logic system may have the advantage that several typists can share the use of a relatively expensive processor and if necessary of substantial back up storage of files or standard paragraphs of text. They may also share the use of fast "daisy wheel" printers which can now produce up to 55 characters per second, about three to four times the rate of a standard golf-ball printer. For those who need an even



The 3M Series 400 word processing system which features single or dual diskette storage, printer and dependent keyboard and video text display screen.

More recently a study of the impact of word processing equipment in the research and development department of Fisons led to the conclusion that average productivity was increased by 127 per cent, and the improvement achieved by the best typist was 244 per cent. The equipment used in this case was a Wordplex 7 shared logic system in which a number of separate typing stations with visual display units (like television screens) are linked to a central processor and high-speed printer.

From an efficiency point of view a shared logic system may have the advantage that several typists can share the use of a relatively expensive processor and if necessary of substantial back up storage of files or standard paragraphs of text. They may also share the use of fast "daisy wheel" printers which can now produce up to 55 characters per second, about three to four times the rate of a standard golf-ball printer. For those who need an even

fast rate of production, the latest ink jet printers can spray characters on to a page at the rate of 52 per second. The ink jet is broken up into hundreds of thousands of droplets which are deflected by electronic means so that they form characters on the page.

The advantages of pure mechanical efficiency may have to be offset, however, by the problems of organisation and morale which can result if secretaries are herded into a typing swimming pool and compelled to type all day without any human contact with their principals. That these problems are not insuperable is shown by several applications of these systems, but they do call for very careful management.

### Analysis

The type of equipment purchased will therefore depend on an analysis of the range of work to be done, and it is helpful in this connection to bear in

mind the distinction between two different sorts of benefits from word processing.

The first comes from the greater ease of correcting and revising drafts already mentioned. Generally productivity will increase with longer documents, and may hardly be noticeable if most letters typed are short and non-standard.

Large gains can be expected, however, where many standard letters or documents are produced. In these cases much of the text is stored magnetically and can be reproduced automatically at the touch of a button. Individual addresses or customers' details can then be included manually.

The first uses of automatic typing concentrated on the reproduction of fairly standard letters, which might require only a few small insertions to make them "personalised." The power and flexibility of computers is now greatly extending the range of automatic letter writing for two reasons.

The first is that large numbers of standard paragraph sentences may be stored in a computer to be recalled and assembled in any order required to match a particular customer. It is therefore possible to simulate a reply to a specific query in a wide range of subjects by pressing a few buttons.

Secondly, the ability to assemble non-standard paragraphs from pre-recorded paragraphs increasingly linked to a data processing operation which a computer will perform from its statistics, which need to be sent. Simple reminders about payments, premiums, etc., can be typed automatically. However, complicated letters about example, unemployment or customers' inquiries now be typed automatically. The computer will insert relevant figures, prices, stock numbers or details of the company from its files.

Max Wilkin

## Library services

IN ALL aspects of industrial and commercial decision making, the timely acquisition of accurate and relevant information is vital to optimise production, facilitate marketing and avoid the duplication of costly R and D effort.

Research workers engaged in information gathering and dissemination activities rely heavily on special libraries, ranging from national collections such as the Science Reference Division of the British Library, the City Business Library, and the Statistics and Market Intelligence Library, to smaller libraries at company and institutional level. Information is generally retrieved by searching manually through comprehensive indexes to journal articles, reports and other literature, but the volume of published technical and scientific information has grown phenomenally over the past decade, creating extreme difficulties in retrieval. Naturally costs have also increased, and whereas information services may have once represented a small part of an organisation's overheads, they are now significantly expensive. Fortunately, there has been corresponding development of sophisticated information retrieval systems, including large-scale computerisation.

Most readers will be aware of the publicly accessible Viewdata service developed by the Post Office, which enables on-line retrieval of information from a central computer via the telephone network and a special television set. Rather less well known are higher level international on-line retrieval services which offer remote searching of vast databases of information on subjects ranging from fibre optics to modern art, chemical patents to market forecasts. Databases are essentially reformatted computer tapes used in the production of publications known as abstract journals. These contain summaries of articles from periodicals relating to a specific discipline. For example, Metals Abstracts, which indexes and summarises journals and conference papers in the metallurgical field, is available as an on-line database called Metadex. As with Viewdata, communication with the central (or "host") computer is effected by telephone line, but a computer terminal is used at the searcher's end.

There are a number of on-line retrieval services in the U.S. and Europe, most of which can be accessed by telephone from the U.K. The three major on-line services are: ORBIT

and DIALOG, operated by the System Development Corporation and Lockheed Missiles and Space Corp., respectively, both in California; and SDS/RECON, run by the European Space Agency, in Frascati, Italy. These organisations buy in computer tapes from the database producers, reformat them and provide computer programmes which enable searching by subject keywords, author names, etc. The host computers are powerful machines capable of supporting many databases which can be accessed by a large number of searchers simultaneously. Until recently, no corresponding British service existed, but Info-Line, a consortium of British database producers and the Department of Industry, is currently setting up an on-line retrieval facility which will be operational at the end of the year.

Passwords to two, or three of these on-line services can place more than 20m. records at the disposal of the searcher. In this way, information resources comparable to those of a multinational can be made available to the smallest of companies. Capital outlay for a modest terminal facility and a range of printed search aids is of the order of £2,000. The actual search costs are based upon the length of time the searcher's terminal remains connected to the host computer, regardless of the volume of searching effected. In that time, for example, a 15-minute search of the INSPEC database (abstracted information on physics, electrotechnology and computers) on one of the U.S. host computers, costs about \$20 and encompasses over a million abstracts. This cost is remarkably low compared with the time and effort required for a skilled information worker to conduct an equivalent search, and the computer search is likely to be more exhaustive.

### Software

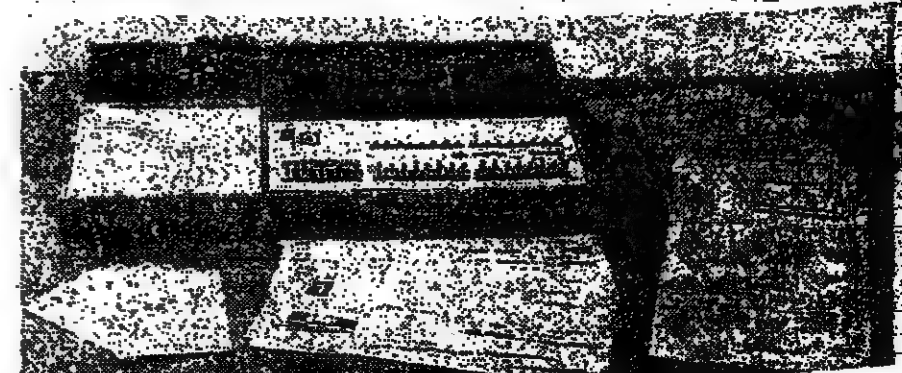
Eventually the computer software will be developed to the point where non-specialists will be able to carry out their own searches completely unaided, but as things stand now, some degree of operating skill is required to obtain optimum results. Most searches are therefore carried out by company librarians or information officers where computer terminal facilities are available, or by external organisations acting as intermediaries or brokers. Information brokerage is already a growth industry in the U.S. and in this country a small number of organisations have been providing such services over the past few years, notably the Institution of Electrical Engineers, the Technology Reports Centre and the U.K. Chemical Information Service.

At the Institution of Electrical Engineers, for example, the service is provided by a team of three information scientists, utilising several line services, backed up by considerable resources of the IEE Library and the IEE Computer Society. The service is also housed at the Institution. The average cost for undertaking an information search is around £25. As a comprehensive brokerage service, searches are fully backed up by the provision of photocopies and loan services cited in search results. Feedback from clients of the service fully indicates the high degree of effectiveness. Despite the obvious connection with electrotechnology, the on-line retrieval enables staff to process searches almost any subject matter.

Obviously these limited services will augment rather than supersede existing services. Many information needs only be met by a librarian. Information officer's ability to recall the source of an abstract or figure. Well established data is often more easily found in older textbooks and journals.

Ken Ma  
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<p><b>CLIVE INVESTMENTS LIMITED</b></p>	
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Index Guide as at 21st March, 1978 (Base 100 at 14.1.77.).	
Clive Fixed Interest Capital .....	135.42
Clive Fixed Interest Income .....	122.34
<p><b>CORAL INDEX: Close 460-465</b></p>	
<p><b>INSURANCE BASE RATES</b></p>	
† Property Growth .....	71%
† Vanbrugh Guaranteed .....	7.12%
<p>† Address shown under Insurance and Property Bond Table.</p>	

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141	141 Treasury 10-10-82	101.1	12.12	5.96
142	142 Treasury 10-10-82	101.1	12.12	5.96
143	143 Treasury 10-10-82	101.1	12.12	5.96
144	144 Treasury 10-10-82	101.1	12.12	5.96
145	145 Treasury 10-10-82	101.1	12.12	5.96
146	146 Treasury 10-10-82	101.1	12.12	5.96
147	147 Treasury 10-10-82	101.1	12.12	5.96
148	148 Treasury 10-10-82	101.1	12.12	5.96
149	149 Treasury 10-10-82	101.1	12.12	5.96
150	150 Treasury 10-10-82	101.1	12.12	5.96

### Five to Fifteen Years

151	151 Treasury 10-10-82	101.1	12.12	5.96
152	152 Treasury 10-10-82	101.1	12.12	5.96
153	153 Treasury 10-10-82	101.1	12.12	5.96
154	154 Treasury 10-10-82	101.1	12.12	5.96
155	155 Treasury 10-10-82	101.1	12.12	5.96
156	156 Treasury 10-10-82	101.1	12.12	5.96
157	157 Treasury 10-10-82	101.1	12.12	5.96
158	158 Treasury 10-10-82	101.1	12.12	5.96
159	159 Treasury 10-10-82	101.1	12.12	5.96
160	160 Treasury 10-10-82	101.1	12.12	5.96

### Over Fifteen Years

161	161 Treasury 10-10-82	101.1	12.12	5.96
162	162 Treasury 10-10-82	101.1	12.12	5.96
163	163 Treasury 10-10-82	101.1	12.12	5.96
164	164 Treasury 10-10-82	101.1	12.12	5.96
165	165 Treasury 10-10-82	101.1	12.12	5.96
166	166 Treasury 10-10-82	101.1	12.12	5.96
167	167 Treasury 10-10-82	101.1	12.12	5.96
168	168 Treasury 10-10-82	101.1	12.12	5.96
169	169 Treasury 10-10-82	101.1	12.12	5.96
170	170 Treasury 10-10-82	101.1	12.12	5.96

### Unrated

171	171 Treasury 10-10-82	101.1	12.12	5.96
172	172 Treasury 10-10-82	101.1	12.12	5.96
173	173 Treasury 10-10-82	101.1	12.12	5.96
174	174 Treasury 10-10-82	101.1	12.12	5.96
175	175 Treasury 10-10-82	101.1	12.12	5.96

### \*\*INTERNATIONAL BANK

151 151 Treasury 10-10-82 101.1 12.12 5.96

### \*\*CORPORATION LOANS

176	176 Treasury 10-10-82	101.1	12.12	5.96
177	177 Treasury 10-10-82	101.1	12.12	5.96
178	178 Treasury 10-10-82	101.1	12.12	5.96
179	179 Treasury 10-10-82	101.1	12.12	5.96
180	180 Treasury 10-10-82	101.1	12.12	5.96

### COMMONWEALTH & AFRICAN LOANS

181	181 Treasury 10-10-82	101.1	12.12	5.96
182	182 Treasury 10-10-82	101.1	12.12	5.96
183	183 Treasury 10-10-82	101.1	12.12	5.96
184	184 Treasury 10-10-82	101.1	12.12	5.96
185	185 Treasury 10-10-82	101.1	12.12	5.96

### LOANS

186	186 Treasury 10-10-82	101.1	12.12	5.96
187	187 Treasury 10-10-82	101.1	12.12	5.96
188	188 Treasury 10-10-82	101.1	12.12	5.96
189	189 Treasury 10-10-82	101.1	12.12	5.96
190	190 Treasury 10-10-82	101.1	12.12	5.96

### Public Board and Ind.

191	191 Treasury 10-10-82	101.1	12.12	5.96
192	192 Treasury 10-10-82	101.1	12.12	5.96
193	193 Treasury 10-10-82	101.1	12.12	5.96
194	194 Treasury 10-10-82	101.1	12.12	5.96
195	195 Treasury 10-10-82	101.1	12.12	5.96

### FOREIGN BONDS & RAILS

196	196 Treasury 10-10-82	101.1	12.12	5.96
197	197 Treasury 10-10-82	101.1	12.12	5.96
198	198 Treasury 10-10-82	101.1	12.12	5.96
199	199 Treasury 10-10-82	101.1	12.12	5.96
200	200 Treasury 10-10-82	101.1	12.12	5.96

### AMERICANS

201	201 Treasury 10-10-82	101.1	12.12	5.96
202	202 Treasury 10-10-82	101.1	12.12	5.96
203	203 Treasury 10-10-82	101.1	12.12	5.96
204	204 Treasury 10-10-82	101.1	12.12	5.96
205	205 Treasury 10-10-82	101.1	12.12	5.96

### BUILDING INDUSTRY, TIMBER AND ROADS

206	206 Treasury 10-10-82	101.1	12.12	5.96
207	207 Treasury 10-10-82	101.1	12.12	5.96
208	208 Treasury 10-10-82	101.1	12.12	5.96
209	209 Treasury 10-10-82	101.1	12.12	5.96
210	210 Treasury 10-10-82	101.1	12.12	5.96

### BEERS, WINES AND SPIRITS

211	211 Treasury 10-10-82	101.1	12.12	5.96
212	212 Treasury 10-10-82	101.1	12.12	5.96
213	213 Treasury 10-10-82	101.1	12.12	5.96
214	214 Treasury 10-10-82	101.1	12.12	5.96
215	215 Treasury 10-10-82	101.1	12.12	5.96

### CINEMAS, THEATRES AND TV

216	216 Treasury 10-10-82	101.1	12.12	5.96
217	217 Treasury 10-10-82	101.1	12.12	5.96
218	218 Treasury 10-10-82	101.1	12.12	5.96
219	219 Treasury 10-10-82	101.1	12.12	5.96
220	220 Treasury 10-10-82	101.1	12.12	5.96

### DRAPERY AND STORES

221	221 Treasury 10-10-82	101.1	12.12	5.96
222	222 Treasury 10-10-82	101.1	12.12	5.96
223	223 Treasury 10-10-82	101.1	12.12	5.96
224	224 Treasury 10-10-82	101.1	12.12	5.96
225	225 Treasury 10-10-82	101.1	12.12	5.96

### ENGINEERING MACHINE TOOLS

226	226 Treasury 10-10-82	101.1	12.12	5.96
227	227 Treasury 10-10-82	101.1	12.12	5.96
228	228 Treasury 10-10-82	101.1	12.12	5.96
229	229 Treasury 10-10-82	101.1	12.12	5.96
230	230 Treasury 10-10-82	101.1	12.12	5.96

### FOOD, GROCERIES, ETC.

231	231 Treasury 10-10-82	101.1	12.12	5.96
232	232 Treasury 10-10-82	101.1	12.12	5.96
233	233 Treasury 10-10-82	101.1	12.12	5.96
234	234 Treasury 10-10-82	101.1	12.12	5.96
235	235 Treasury 10-10-82	101.1	12.12	5.96

### HOTELS AND CATERERS

236	236 Treasury 10-10-82	101.1	12.12	5.96
237	237 Treasury 10-10-82	101.1	12.12	5.96
238	238 Treasury 10-10-82	101.1	12.12	5.96
239	239 Treasury 10-10-82	101.1	12.12	5.96
240	240 Treasury 10-10-82	101.1	12.12	5.96

### HOTELS—Continued

241	241 Treasury 10-10-82	101.1	12.12	5.96
242	242 Treasury 10-10-82	101.1	12.12	5.96
243	243 Treasury 10-10-82	101.1	12.12	5.96
244	244 Treasury 10-10-82	101.1	12.12	5.96
245	245 Treasury 10-10-82	101.1	12.12	5.96

### INDUSTRIALS

(Misc.)

246	246 Treasury 10-10-82	101.1	12.12	5.96
247	247 Treasury 10-10-82	101.1	12.12	5.96
248	248 Treasury 10-10-82	101.1	12.12	5.96
249	249 Treasury 10-10-82	101.1	12.12	5.96
250	250 Treasury 10-10-82	101.1	12.12	5.96

### ELECTRICAL AND RADIO

251	251 Treasury 10-10-82	101.1	12.12	5.96
252	252 Treasury 10-10-82	101.1	12.12	5.96
253	253 Treasury 10-10-82	101.1	12.12	5.96
254	254 Treasury 10-10-82	101.1	12.12	5.96
255	255 Treasury 10-10-82	101.1	12.12	5.96

### CHEMICALS, PLASTICS

256	256 Treasury 10-10-82	101.1	12.12	5.96
257	257 Treasury 10-10-82	101.1	12.12	5.96
258	258 Treasury 10-10-82	101.1	12.12	5.96
259	259 Treasury 10-10-82	101.1	12.12	5.96
260	260 Treasury 10-10-82	101.1	12.12	5.96

### ENGINEERING

261	261 Treasury 10-10-82	101.1	12.12	5.96
262	262 Treasury 10-10-82	101.1	12.12	5.96
263	263 Treasury 10-10-82	101.1	12.12	5.96
264	264 Treasury 10-10-82	101.1	12.12	5.96
265	265 Treasury 10-10-82	101.1	12.12	5.96

### ENGINEERING MACHINE TOOLS

266	266 Treasury 10-10-82	101.1	12.12	5.96
267	267 Treasury 10-10-82	101.1	12.12	5.96
268	268 Treasury 10-10-82	101.1	12.12	5.96
269	269 Treasury 10-10-82	101.1	12.12	5.96
270	270 Treasury 10-10-82	101.1	12.12	5.96

### FOOD, GROCERIES, ETC.

271	271 Treasury 10-10-82	101.1	12.12	5.96
272	272 Treasury 10-10-82	101.1	12.12	5.96
273	273 Treasury 10-10-82	101.1	12.12	5.96
274	274 Treasury 10-10-82	101.1	12.12	5.96
275	275 Treasury 10-10-82	101.1	12.12	5.96

### HOTELS AND CATERERS

276	276 Treasury 10-10-82	101.1	12.12	5.96
277	277 Treasury 10-10-82	101.1	12.12	5.96
278	278 Treasury 10-10-82	101.1	12.12	5.96
279	279 Treasury 10-10-82	101.1	12.12	5.96
280	280 Treasury 10-10-82	101.1	12.12	5.96







40

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# FINANCIAL TIMES

Monday April 3 1978

**BRC**

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## Business Opinion

### Industry expects gradual recovery in output

INDUSTRY IS still expecting only a gradual recovery in output during the next year and its overall level of confidence about the economy and company prospects has declined from the high levels of last autumn.

This is the main theme of the latest Financial Times survey of business opinion published this morning.

Most of the interviews were undertaken in early and mid-March when there were an increasing number of cautious economic reports and warnings about the deterioration in the outlook for world trade. This has been reflected in the less optimistic view shown by the general business confidence and economic questions.

The replies on the more specific points show that industry is experiencing a slight increase in its level of new orders and the level of purchases from suppliers is also rising. But companies are not expecting an acceleration in the rate of growth of production over the next year.

The sectors interviewed this month—building and construction food and tobacco, and textile and clothing—were all slightly more optimistic about a reduction in the 12-month rate of price inflation than when last questioned four months ago.

Another positive sign is that slightly more companies are now expecting to increase their labour force during the next 12 months but the overall balance has hardly changed with a slight rise also in the proportion expecting a reduction in the number of their employees.

It is now possible to analyse the results of the recently introduced question on factors affecting the number of employees. This shows that 38 per cent of companies interviewed believed their employment levels were affected not by demand for their products but by factors linked to labour supply.

Several companies mentioned the impact of the Employment Protection Act, the potential cost of redundancy payments, high labour costs and difficulties in recruitment.

Only 15 per cent of the companies referred to demand for products as an influence on employment.

Details, Page 30

### EARNINGS ON CAPITAL

Those expecting earnings during the current year to:	4 monthly moving total				March 1978		
	Dec.	Nov.	Oct.	Sept.	Constn.	Food & Textiles	
	Mar.	Feb.	Jan.	Dec.	& Bldg.	Tobacco	Clothing
	%	%	%	%	%	%	%
Improve	41	32	47	43	49	42	39
Remain the same	28	24	23	22	24	34	16
Contract	3	38	25	26	27	23	11
No comment	28	6	5	9	—	1	34

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### New U.K. State pension scheme to operate from Thursday

BY ERIC SHORT

THE NEW State Pension Scheme starts on Thursday, marking a new era in pension provision and ending two decades of political dispute. It will provide for employee pensions based on earnings.

Up to now the Social Security system has been based on the Beveridge Report of 1942. This envisaged that the State would provide a safety net, paying a basic flat rate pension at little more than subsistence level. It expected company schemes to provide most of the pension for employees.

Though the growth of occupational pension schemes has been spectacular, it soon became obvious that the national insurance scheme introduced in 1946 was inadequate.

The only solution to meet everyone's pension requirements was a universal earnings-related scheme operated by the State—a common feature in Europe. Since 1967, successive Governments have tried to introduce such a scheme, but without success until now.

Each time a scheme was arranged the next Government threw out the plan. The arguments centred on the exact method of providing for this pension and the role to be played by private schemes.

But finally the system as laid down by the Social Security Act 1975, emerged with the acceptance of its principles by the main political parties. It was a tribute to the late Mr. Brian O'Malley, who as Pensions Minister did everything to foster a bipartisan approach.

The new scheme will introduce a second tier pension to be added to the present basic flat rate. The formula and method of qualification is complicated.

The additional pension will be 11 per cent of "relevant earnings" for each year in the new scheme, starting this year, up to a maximum of 20 years' earnings.

#### Criticism

"Relevant earnings" over a year will represent the total amount earned each week over the year between a lower limit (at present the single flat rate of £1.50) and an upper limit (at present £120 per week).

Thus it will be 20 years before someone will be able to retire on the full pension, and a person retiring this year will not qualify for any additional pension.

This feature has aroused considerable criticism as the scheme does nothing for existing pensioners. The only concession is that employees who pay the extra contribution and get no extra pension will have the contributions refunded.

Employers have the option of contracting their employees out of this second-tier pension and providing an earnings-related company pension. Well over 15,000 employers have decided to opt out.

The big feature of the Act was that a Labour Government has envisaged private schemes playing an important part in pension provision. Previously private schemes had been attacked by Labour leaders.

Another feature of the scheme is the complete index-linking of pensions to maintain purchasing power.

All employed women will qualify for a State pension or a company pension in their own right but will pay full National Insurance contributions.

The only people not affected are the self-employed, who will still receive only the basic pension.

The contribution rates will rise for those who will receive the additional State pension.

From Thursday employees will have their rates increased to 61 per cent of earnings from 51 per cent. Their employers will pay 10 per cent, excluding the surcharge, instead of 81 per cent.

If, however, employees are contracted out, they will have a 21 per cent rebate on contributions on their employers' 41 per cent.

### Airport approval boosts Airbus

BY JOHN WYLES

ONE OF THE last impediments has been removed to the proposed \$800m sale of 33 of the European Airbus aircraft to Eastern Airlines of the U.S.

Representatives of Airbus Industrie, the European consortium which manufactures the aircraft, have reached an agreement with the operators of New York's La Guardia airport which will enable the Airbus to use the airport from November 15.

Eastern has been leasing four of the A300 aircraft since December but because of weight difficulties none has been able to use La Guardia, which is a major terminal for the carrier's services to and from Miami, Florida.

Although several heavier designs of aircraft use La Guardia, the Airbus problem has been that its landing wheels are closer together and impose greater stress on the sections of the runway which stretch out into Flushing Bay.

After five months of discussion, Airbus Industrie and the New York and New Jersey Port Authority have agreed on an initial operating weight which will enable Eastern to use the airport on its service to Miami.

Airbus Industrie will spend \$300,000 strengthening La Guardia's runway supports and an additional sum modifying the A300's landing gear.

This could also involve some modifications to the wings, which are made by British Aerospace on a sub-contractor basis.

The La Guardia settlement means that only discussions between Eastern Airlines and its lenders now stand in the way of a firm contract.

Eastern's directors have already approved the proposals negotiated with Airbus Industrie and these will be discussed with bankers and other lenders on Thursday.

Eastern has warned Airbus Industrie that it could take the lenders between 30 and 45 days to give a judgment, but the manufacturers are likely to press for a speedier decision.

### Cabin crew strike will stop 300 flights

Financial Times Reporter

ABOUT 300 short-haul flights from London will be grounded today because of an unofficial strike by British Airways cabin crew.

Talks between British Airways and the British Airline Stewards' and Stewardesses' Association, a branch of the Transport and General Workers' Union, broke down last night.

Airline officials were last night trying to transfer about 30,000 passengers to other airlines unaffected by the 24-hour strike, which begins at 6 a.m. today.

British Airways said that some cabin crew staff might turn up for duty because the strike had not been made official. If this happened, a few scheduled flights might take off normally.

Union and airline officials will meet again today to try to resume negotiations.

The 2,200 crew members in British Airways' European division are protesting at the lack of progress towards giving them equal job opportunities and promotion prospects with 4,200 overseas division crew members.

British Airways is aiming at making crews interchangeable but is still without a union agreement after a year. The old BEA and BOAC were formally merged on April last year.

The airline says the overseas crews are resisting the change because it would dilute their own promotion prospects.

Both sets of crew are paid the same basic rates but long-haul work attracts a number of extra allowances and is popular with younger, unmarried stewards and stewardesses.

### CBI tax plea to Healey

stantial help for the lower paid. A 10 per cent increase in personal allowances could take about 100,000 people out of the tax net while others would benefit from a proposed reduction of the basic rate of income tax from 34 to 32 per cent.

The Confederation has also written the Chancellor to help them get paid between £5,000 and £10,000 a year, and to cut the top-rate of tax on earned income from 83 per cent to 60 per cent in the coming year.

By 1980-81, the CBI would like to see the top rate reduced further, to 50 per cent.

The cost of this package in a full year is £1.1bn, less than the proposals put forward by the TUC. However, the Confederation believes that it would still be a morale booster and would restore incentives "to people on whom the economy greatly depends for creating new jobs."

### CBI and unions to debate use of oil revenues

BY MICHAEL CASSELL

THE ALLOCATION of Britain's oil revenues will be a main topic for discussion between both sides of industry at this week's meeting of the National Economic Development Council.

The meeting on Wednesday comes nearly two weeks after publication of the long-awaited Government White Paper which set out how the Government intends to use the large oil and gas revenues which will be available by the mid-1980s.

The Government wants to channel the income into four key areas, including industrial regeneration, and this week's meeting will provide a chance for employer and trade union representatives in the shape of the Confederation of British Industry and the TUC to put their views across.

Both sides have given a broad welcome to the Government's proposals, although they are generally accepted to be somewhat low-key at this stage.

How the plans can fit in with the industrial strategy will be a central area for discussion on Wednesday.

**Taxation**

The Left-wing of the Labour movement and the trade unions have already given their support to some of the policy proposals, which reflect the need for planning agreements, industrial democracy, a moderately interventionist role for the National Enterprise Board and an expansion of selective aid schemes for industry.

The CBI is also welcoming moves to boost industrial investment and to reduce taxation levels, though possibly not to the extent envisaged by the Conservatives.

Also on this week's agenda at the National Economic Development Council will be the question of communicating the aims of the industrial strategy down to individual company level.

**Strong**

To-day the construction equipment sector working party report is published. It forecasts increasingly competitive market conditions for the U.K. manufacturers.

The working party says it remains committed to seeing the U.K. share of world markets being maintained and of reducing imports to 50 per cent of sales in this country.

The report emphasises that U.K. manufactured machines appear to be concentrated more at the medium to smaller end of production ranges, where the Japanese are also strong and where price is a major competitive factor.

To achieve the levels of growth built into the objectives, U.K. manufacturers may need to develop products backed up by an improved overall marketing package including delivery, service and spares as well as price," it says.

Construction Equipment and Mobile Cranes Sector Working Party report to the National Economic Development Council. NEDO Books, 11 Steel House, 11, Tophill Street, London SW1H 9LJ. Free.

### White Paper revives electricity plans

BY ROY HODSON

NEARLY all the clauses of the defunct Bill for the reorganisation of the electricity supply industry in England and Wales will appear in a White Paper to be published this week.

The Government will use the paper to record its commitment to reshaping the industry in spite of the Liberal opposition which forced Mr. Anthony Wedgwood Benn, the Energy Secretary, to withdraw the Bill.

The White Paper will propose a unified structure for the industry under a central electricity authority.

The Plowden Committee recommended that such a structure should replace the two existing national bodies, the policy-making Electricity Council and the Central Electricity Generating Board which runs the power stations.

Plowden also wanted the area electricity boards to become integrated operating units of the national authority.

Ministry appears to be undecided about the precise form that the reshaped industry should take.

But Mr. Benn insists that the area authorities should have a degree of autonomy, with chairmen and Board members continuing to be appointed by the Energy Secretary.

The Liberals said that such power of appointment gave Ministers too much power and patronage.

The White Paper is also expected to encourage the new

electricity authority to manufacture electrical equipment.

The industry is expected to this on the grounds that it could distort the main function of providing electricity.

Mr. Benn is expected to include in the White Paper powers for the Energy Secretary to give specific directions to the electricity industry.

The industry believes that every directive from a minister ought to be separately affirmed by Parliament.

The Bill was essentially an Enabling Bill which would have established a new central electricity authority while leaving open the detailed structure of the industry to be proposed by the Government through an Order in Parliament.

In the same way the White Paper is expected to leave a number of questions unanswered about the precise size, shape, and role of the generating authority and the area authorities.

A short Electricity Bill is to be presented to Parliament, meanwhile, to cover the financing of the Drax power station, and legislation for EEC-approved nuclear safeguards.

An inquiry is to be started by the Select Committee on Nationalised Industries into the electricity supply industry. In effect the all-party committee of MPs will be undertaking a series of pre-legislative hearings on the proposals in the new White Paper.

**Liberals offer last chance for Budget compromise**

BY RUPERT CORNWELL, LOBBY STAFF

PROSPECTS for the Budget and the survival of the Lib-Lab pact are likely to hinge on a crucial meeting between the Liberal Chancellor, Mr. Denis Healey, and Mr. John Pardon, a Treasury spokesman, urging a £4.4bn. reduction in direct taxation, have not been formally published.

Even so, the gap is very large between this kind of cut and that of £3bn. £2.5bn. believed to be favoured by Mr. Healey, who is reluctant to permit big indirect tax increases on the grounds that inflation and employment prospects could be damaged.

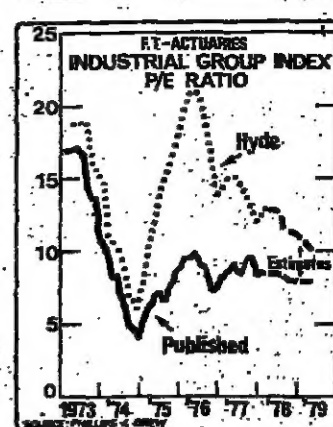
The real threat to Mr. Callaghan's presumed intention of not calling a General Election before October at the earliest would probably come if the defeat inflicted in the Committee stage could wreck the entire Budget strategy.

Talk of a snap election in May or June is discounted at Westminster, unless by-elections and opinion polls show a remarkable revival in Labour's fortunes.

It is generally assumed that the Prime Minister will want to wait until the benefits of the tax cuts become apparent and until the devolution Bills have completed their passage through Parliament.

## THE LEX COLUMN

### Crisis point for the p/e ratio



The initial trickle of companies offering not to provide for deferred tax in their accounts has been rapidly turning into a flood. So far probably as many as 200 listed companies have adopted the draft accounting standard ED19. Around 50 companies reporting in the past month have made the change over including BP, Thomas Tilling, Tube Investments and Rolls-Royce Motors.

The switch of basis is inevitably posing serious problems for investment analysts, in particular over calculations of earnings per share and p/e ratios. Apart from the abrupt change in the apparent earnings of individual companies, which is made somewhat easier to cope with because under ED18 comparable adjusted figures have to be given for the previous year, analysts also have to cope with the difficulty that quite similar companies are adopting different methods of tax accounting.

**Changing basis**

Moreover it is becoming less helpful to use sector statistics as yardsticks against which to measure individual shares. The basis of the earnings being incorporated in the FT Actuaries Indices is progressively weakening as the raw data comes to include a rising proportion of ED19-type figures.

Can anything be done to sort out this mess? Setting aside the temptation to abandon the whole concept of earnings per share, there appear to be three ways of trying to cope with the present difficulties. First, analysts can accept the ED19 figures where they are offered and weather as best they can the transitional period in which the data is going to be highly variable. Second, they can ignore ED19 altogether and reconstruct national fully-taxed earnings.

A third possible solution arises from the way that the unfortunate aspects of ED19 reflect its attempt to combine historical cost profits with a tax charge calculated, crudely, on the basis of inflation accounting. Investment analysts could try to jump past this unsatisfactory half-way house and devise proper current cost earnings figures. The Hyde guidelines offer a possible basis for this.

Datastream, the computerised stock market analysis service, has chosen the second alternative, at least for the time being. Its main problem is not that it necessarily disagrees with ED19, but simply that it

Hyde p/e dropping to 10, paced with 7.5 and 4.2 using other two methods.

These figures, which are contained in the first of P and D's new "Equity Market Index" which conveniently packages a wide variety of ground information to form a view of the U.K. market. As such, it is a way that earnings, which are playing a less dominant role in share assessment.

Putting p/e back on a pedestal will require a more important improvement in the quality of data. As problems are greatly multiplied by the permissive nature of ED19 and the Hyde guidelines, the scope for subjective judgement in establishing the charge is very considerable. In the case of BP, for example from last week's deal related on what was by the "forfeitable" from a North Sea context.

Over most companies, the on an ED19 basis do not include a note to the deferred tax they otherwise have charged. Listing its major component the Exposure Draft says should. Some tightening required here.

**No comparability**

As for the Hyde guidelines, there have also been parties in the sector. The treatment adopted by all companies, however, in the out the monetary advantage (it would have led to a claim from profits) while four clearing banks all of an adjustment in realisation stock gearing would have increased differences at a more level, in areas like stock and depreciation affect comparability.

In the light of all this, investors are having to review the concepts of earnings, share, and the p/e ratio being severely devalued, investment tools. The main must be that over a new consensus will be established, favouring ED19 figures or better, and proper inflation adjusted sura.

This is bound to take years to happen, however, the interim period is likely to be a period of confusion, and this will be reflected in the day-to-day, however, with the prospective comments in this column.

Where P and D are going a step further, however, is in developing their own Hyde-type inflation adjusted ratios for companies in the FT-Actuaries Industrial Index. Briefly, their estimates of the average Hyde p/e for 1977 earnings is 12.8, compared with 8.3 on a fully taxed conventional basis and 6.4 excluding all U.K. deferred tax (which differs slightly from the ED19 basis under which some deferred tax may still be charged, at the directors' discretion). They envisage a narrowing of the gap in 1978, but, with the prospective

tax charges would be to fly in the face of all the accounting arguments that have led to ED19. If a company's tax charge can vary widely for reasons not directly connected with the year's trading, that is unfortunate for the investment analysts but it is a fact of corporate life that cannot be ignored.

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### Weather

**U.K. TO-DAY**

MAINLY DRY, with sunny intervals. Isolated showers, particularly in S.W.

London, Wales, Midlands, E. Angia, E. N.E., S.E., Cent. S., Cent. N., S.W. England

Early fog patches, persisting near some coasts. Sunny intervals, occasional showers. Max.: 13C (55F).

Channel Islands

Sunny intervals. Max.: 11C (52F).

N.W. England, Lakes, I. of Man, Argyll, S.W. Scotland, N. Ireland

Early fog patches; sunny intervals, isolated showers. Max.: 11C (52F).

Rest of Scotland

Mostly cloudy, occasional drizzle; hill and coastal fog. Max.: 7C (45F).

Outlook: Similar.

### BUSINESS CENTRES

City	Max	Min	City	Max	Min
Amsterdam	10	5	Madrid	15	10
Antwerp	10	5	Moscow	10	5
Birmingham	10	5	New York	15	10
Bombay	25	20	Paris	15	10
Buenos Aires	20	15	Rome	15	10
Calcutta	25	20	Stockholm	10	5
Cardiff	10	5	Sydney	20	15
Cebu	25	20	Tokyo	15	10
Dublin	10	5	Wellington	15	10
Edinburgh	10	5	Yokohama	15	10
Geneva	10	5			
Glasgow	10	5			
Hong Kong	25	20			
London	10	5			
Lyons	10	5			
Manila	25	20			
Mexico	20	15			
Mumbai	25	20			
Nairobi	20	15			
San Francisco	15	10			
Singapore	25	20			
Sourabaya	25	20			
Taipei	20	15			
Tientsin	15	10			
Yokohama	15	10			

### HOLIDAY REPORTS

City	Max	Min	City	Max	Min
Algeria	15	10	Paris	15	10
Amsterdam	10	5	Rome	15	10
Antwerp	10	5	Stockholm	10	5
Birmingham	10	5	Sydney	20	15
Bombay	25	20	Tokyo	15	10
Buenos Aires	20	15	Wellington	15	10
Calcutta	25	20	Yokohama	15	10
Cardiff	10	5			
Cebu	25	20			
Dublin	10	5			
Edinburgh	10	5			
Geneva	10	5			
Glasgow	10	5			
Hong Kong	25	20			
London	10	5			
Lyons	10	5			
Manila	25	20			
Mexico	20	15			
Mumbai	25	20			
Nairobi	20	15			
San Francisco	15	10			
Singapore	25	20			
Sourabaya	25	20			
Taipei	20	15			
Tientsin	15	10			
Yokohama	15	10			

### Perhaps the bravest man I ever knew



and now, he cannot be to turn a corner

SIX-FOOT-FOUR SERGEANT "TIP" G... DCM, was perhaps the bravest man I ever knew.

But now, after serving in Aden, after being badly wounded and ambushed again more recently, Sergeant "Tip" cannot turn a corner. For fear of what is on the other side.

It is the bravest men and women from the Services who suffer most mental breakdown. For they have tried, each one of them, to give much more, than they could in the service of our Country.

We look after these brave men and women. We help them at home in hospital. We run our own Convalescent Home. For some, we work in a sheltered industry, so that they can live without care. For others, there is our Veterans' Home where they can spend days in peace.

These men and women have given their minds to their Country. It is to help them, we must have funds. Do please help us with a donation and with a legacy too, perhaps. The debt is owed by all of us.

"They're given more than they could—please give as much as you can."

**EX-SERVICES**

**MENTAL WELFARE SOCIETY**

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